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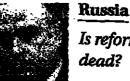
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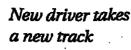
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a new track



Italian railways



Eurofighter takes wing What the go-ahead

means for jobs



Survey Baltic basin states

Pages 23-27

FINANCIAL TIMES

Europe's Business Newspaper

WEDNESDAY DECEMBER 16 1992

US and Europe share \$4.1bn aircraft orders

The civil aircraft industry received a boost with orders worth \$4.1bn for US Boeing and European Airbus airliners from Californian aircraft leasing company international Lease Finance Corporation. Boeing secured orders for 53 airliners and Airbus, 28. Airbus also won the first firm commitment from ILFC for the 125-seat A319 jet it hopes to launch late next year. Page 14

Channel tunnel row: Transmanche Link the group of contractors building the Channel tunnel, said Eurotunnel's offer of a £1.2bn (\$1.8bn) final payment was unacceptable and implied further delays in completing the project were possible. Page 14

Kidnappers kill israeli guard: Troops found the bound body of an Israeli border policeman beside a road in the occupied West Bank two days after Moslem guerrillas kidnapped him in a bid to free their imprisoned leader, Sheikh Ahmed

Yassin. Page 4 **Dutch foreign minister for Brussels**



Hans van den Broek (left). Dutch foreign minister for 10 years, is to join the European Commission at the beginning of next year. He replaces fellow Dutchman Frans Andriessen, who has been responsible for the EC's external affairs and trade.

india acts against Hindu states: India's federal government dismissed three pro-Hindu state governments and put the states under direct rule following vicious communal riots sparked by the razing of the mosque in the holy city of Ayodhya, Page 4

Hungarian stake for Afitalia: Italian state airline Alitalia bought a 30 per cent share in Maley, the Hungarian national carrier. Page 15

UN to exhume Croat bodies: A United Nations team is to excavate mass graves near Vukovar in eastern Croatia where some 300 civilians and Croat soldiers are feared buried after being executed by Serb forces which seized the town in November last year. Page 3; Call for UN to enforce Bosnia no-fly zone, Page 14

insurers seek help: French insurers, who are estimated to have a combined property invest ment portfolio worth FFr300bn (\$57bn), are calling on the government for tax breaks to help them through the property crisis. Page 15

Clinton seeks strong dollar: The Clinton administration's strategy for improving long-term economic performance in the US is likely to centre on a strong dollar and a relatively conservative fiscal policy. Page 6

Petrofina rebuffeds The Saudi government is reluctant to sanction plans by Belgian oil com-pany Petrofina to sell half its US refining and marketing assets to Saudi Arabian investors for

Troops reach Baidoa: US forces took up positions round Baidoa, in the middle of Somalia's starvation zone, as US special envoy Robert Oakley arrived for talks with local clan-faction leaders and aid workers. Page 4; Forces close in, Page 14

Honecker trial in doubt: The Berlin manslaughter trial of Brich Honecker, 80, looked close to collapse after a court doctor confirmed the former East German leader may die of liver cancer within three to six months.

Black seeks more of Fairfax: Conrad Black's attempt to raise his UK Daily Telegraph group's stake in Australia's Fairfax newspaper group from 14.33 per cent to 25 per cent is likely to fall foul of the Australian government. Page 18

Gerber shares plunge: US babyfood maker Gerber Products lowered earnings estimates because of "unprecedented competitive activity". The company's share price plunged \$4% to \$30% before the close in New York. Page 17

Titanic relics offered for a price: The French government is to offer 1,800 objects salvaged from the Titanic. which sank 80 years ago after hitting a iceberg off Newfoundland, to the passengers' families, provided they agree to help fund the salvage operation.

Underwater parking: A businessman has offered to solve Amsterdam's traffic problems by building car parks beneath the city's canals.

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By Martin Dickson in New York

INTERNATIONAL Business Machines, reeling from a global economic slowdown and a rapidly changing computer market. yesterday announced plans to cut its worldwide workforce by 25,000, or 8 per cent, next year and sharply reduce its manufacturing capacity. It will take a \$6bn fourth quarter charge to cover the costs.

The news sent IBM shares plunging, at lunchtime in New York, they were \$5% lower at \$57%, the lowest price in more

In a sign of the severity of the crisis facing the world's largest computer company, IBM said two of its treasured traditions maintenance of annual dividend and a policy of no forced redunwere no longer safe. Mr John Akers, chairman, said

By John Lloyd, Quentin Pee! and Leyla Boutton in Moscow

MR BORIS YELTSIN, the

Russian president, and Mr Viktor

Chernomyrdin, his new prime

minister, strove to reassure the

western world yesterday that the country's economic and demo-

cratic reforms remained on

Mr Chernomyrdin also made

clear, however, that he would put

industry's needs at the top of his

agenda and that he would con-

tinue controls on energy prices.

Mr Yeltsin, in talks with Chan-cellor Helmut Kohl of Germany

who is visiting Moscow with a

government team, claimed that he had succeeded in protecting

the reform process in the past

two weeks of stormy conflict with the Congress of People's

Mr Yeltsin said: "Of course

both congress and the president

were obliged to make certain compromises, but in politics that

Mr Yegor Gaidar, the former

acting prime minister, who yes-terday disappeared from public

view after his comment that he was going to catch up on some sleep, told ministers they should stay in place if they believed fur-

ther reform was possible. German officials said Mr Cher-

nomyrdin appeared determined to reassure Mr Theo Waigel, the

finance minister who heads the

German team discussing Russian

and former-Soviet debt issues.

about his role in the reform pro-

is an ordinary occurrence."

course.

Deputies.

that while cash flow remained strong, "current earnings expectations make the company unsure of its ability to maintain

the dividend at current levels". While IBM would try to achieve job cuts voluntarily, Mr Akers said if business conditions did not improve significantly it was "likely that some business units will be unable to maintain full

employment in 1993". IBM declined to spell out precisely where job cuts would fall. Since 1986, IBM has already cut its workforce by about 100,000 to some 300,000.

The extent to which the restructuring will affect IBM Europe was unclear last night. Individual countries are being left to make their own provisions and many divisions and units had yet to learn the details of the cuts. IBM Germany, however, said that next year it would cut ■ BP to shed more jobs Page 15 ■ Debt rating under review

■ Threat to dividend ■ \$6bn charge ■ Forced redundancies possible

IBM to slash jobs and capacity

Page 20 Page 40

rather more than the 2,000 jobs that went in 1993. Worldwide the company is to cut its development spending by

about \$1bn, or roughly one sixth, in 1993, reduce capital spending, and cut its sales, general and administrative expenses by \$1bn. IBM added that its fourth quarter operating results were only likely to be around break-even -

well below Wall Street forecasts - because of the unexpected depth of the business downturn, particularly in Europe, prolonged worldwide economic weakness, and market pressures to cut hardware prices. It warned that it

Russian chiefs try to reassure on reforms

tions to continue into 1993. This is latest in a long series of restructurings by IBM since the late 1980s as it has struggled with the global economic slowdown, which began in the US and the

extremely rapid pace of change in the computer industry. IBM, which has always domi-nated the market for large, mainframe computers, has suffered from the shift of demand to smaller, desktop models.

Earlier this year, in an attempt to make itself more responsive, the company replaced its centralised structure with a loose-knit network of 13 businesses. IBM said yesterday it would increase the autonomy of three of these businesses - Adstar,

which makes storage devices, Pennat Systems, which makes printers, and its personal computer operations them as "essentially self-suffi-

cient companies". In time it expected to consider "alternative forms of ownership" for them. The latest round of cuts comes

on top of \$5.4bn of special pre-tax charges so far this year to cover plant closures and 40,000 job cuts. The total charge of \$11.4bn is larger than the 1991 revenues of all but three other computer manufacturers - Fujitsu, Digital Equipment and NEC.

Mr Akers said trading condi-tions had deteriorated more precipitously than expected. There had been a particularly sharp decline in Europe, while results at IBM Japan were also under sure and the North American outlook had not improved.

IBM said its personal computer business was seeing strong sales growth and was moving towards profitability in 1993, but the mainframe business had suffered a 10 per cent fall in revenues

faces corruption probe

By Robert Graham in Rome

MR BETTINO CRAXI, leader of Italy's Socialist party and a former prime minister, was yesterday informed that he was under investigation by Milan magis trates, making him the most prominent figure to be caught up in their widening net of corruption inquiries.

The magistrates served notice on Mr Craxi that he was being investigated for alleged corruption and illegal financing of the Socialist party. Mr Craxi issued a statement declaring his innocence and saying the move was designed to discredit him and his

party.
It is the first time in Italy's post-war history that the leader of a main political party has been so directly linked to charges of alleged corruption. Mr Craxi has been Socialist leader for 16 years and was prime minister from

Mr Craxi made clear he would not voluntarily step down as leader of the Socialist party, already weakened by poor elec-tion results and the corruption

In recent weeks there have been rumours that Milan magistrates, who since February have arrested and charged more than 70 local and national politicians with alleged corruption, were about to turn their attentions to Mr Craxi. They were reportedly waiting until after last weekend's elections in 55 municipalities throughout Italy.

Milan is the centre of Mr Cravi's power base and Mr Paolo Pillitieri, his brother-in-law, a former mayor of the city and Social ist deputy, has already been charged with alleged corruption. The magistrates' move is a

major blow to an already discred-

ited party which saw its vote at the weekend cut to 5 per cent in the key northern industrial cities On Friday, parliament agreed to waive the immunity of Mr

Gianni de Michelis, the party's deputy leader and former foreign minister, so Venice magistrates

Continued on Page 14 Italians redraw political map, Page 3 Editorial Comment, Page 12 International bonds, Page 20

Currencies, Page 36

German Chancellor Helmut Kohl (left), on his first visit to Moscow since the collapse of the Soviet Union, with Boris Yeltsin

at the talks were Mr Alexander Shokhin, deputy prime minister in charge of foreign economic relations, and Mr Andrei

"I was a member of the govern-ment not merely as a supporter but as an active participant in myrdin said of the ministers.

Talks on a debt rescheduling package with the Paris Club of creditor governments would go working out the [reform] programme. I can confirm I will carry on this course," he was quoted as saying. Two of his six fellow ministers ahead in Paris this week, he said,

Nechayev, economics minister friends and colleagues of Mr Galdar. "I am convinced they are all of the same opinion," Mr Cherno-

with Mr Shokhin leading the Later, at a press conference, he said: "I gave you no reason to

claim that the course of reforms will be changed". However, although he refused to specify his policies, the tenor of his remarks differed greatly from that of Mr

Continued on Page 14 Puture of reform, Page 2

Britain blocks funding for Brussels' HDTV strategy

BRITAIN yesterday blocked funding for a Brussels-backed strategy to market high definition television, throwing into doubt the Commission's plans to fund the technology.

Eleven member states drafted a

statement reaffirming their desire to back HDTV - the advanced generation of television technology, which is expected to enhance greatly picture quality
- but the British opposition to more than Ecu500m (\$615m) of funding jeopardises the European

Commission's long-cherished plans to support HDTV technol-Britain's tough stand drew heavy criticism from the Dutch and French after a heated meet-

ing of EC industry ministers in The Dutch and French support the five-year spending plan. Philips and Thomson, their national electronics groups, have spent millions on developing the D2-Mac and HD-Mac Technology and are seeking markets.

The row at yesterday's meeting turned into a classic EC clash between British distaste for industrial policy and a Franco-Dutch desire to support national champions. Britain offered to keep the HDTV programme alive with Ecu80m in 1993 and to review all advanced television technologies, including HDTV which the UK believes risks

becoming outdated. Dutch officials were incensed that Mr Tim Sainsbury, British industry minister who chaired the meeting, refused to drop UK

One official said: "Because 11 members are in favour, the UK should do the decent thing and But UK officials countered that

as Denmark and Ireland were uneasy about allowing Brussels to commit large sums to HDTV, taken by more advanced digital TV technology within five years. "We don't want to be led into a technological cul-de-sac," said a UK official.

The Commission's original plan was to spend Ecu850m over five years. Member states yesterday scaled back these plans, with bids ranging from Ecu450m to

The money would go to consor-tia for satellite broadcasting, as well as to producers for conversion of programmes for use in high definition TV sets.

Money may also go to other widescreen TV services such as Pal Plus, and for modifying studies making programmes for broadcasting using HDTV tech-

CONTENTS

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RAISED IN THE HIGHLANDS.



FAMOUS GROUSE FINEST SCOTCH WHISKY

QUALITY IN AN AGE OF CHANGE.

Gaidar's lost year: the agony and the legacy

By Leyla Boulton in Moscow

WHEN Mr Yegor Gaidar, the 36-year-old who launched market reforms in Russia. was made prime minister a year ago he had one primary goal: to make change irreversible through Polish-style shock therapy and sheer improvisation.

His successor as Russia's prime minister, Mr Viktor Chernomyrdin, is more ambitious: he wants to halt the fail in industrial output (20 per cent this year) and to "civilise" what Mr Gaidar bequeathed him so that Russia "has a market and not a bazaar".

He is unlikely to be able to do so, at least not in the near future. This is because of what Mr Gaidar did achieve - and what he did not. His market reforms - kick-started with price liberalisation - are, as he had hoped, irreversible. But his attempts at financial stabilisation failed.

Monthly inflation is running at 33 per

point it is called "hyperinflation"). The budget deficit is pushing 15 per cent of gross domestic product, close to the level last year when the then Soviet Union's financial system had all but

Thus Mr Gaidar's muddling through on financial policy could be followed by a hyperinflationary nightmare if Mr Chernomyrdin tries to stop an "impoverishment which the people do not deserve" by quickly wiping out the arrears accumulated between enterprises without tackling their causes. The only way this could be done would be by creating even more credit and handouts, without discrimination, than is already the case.

"People would be made even poorer through hyperinflation," says Ms Elena Kotova, a Russian economist and former privatisation official now with the World

She said price liberalisation was one of the factors making reform irreversible.

the tools it would need to re-impose controls on prices, wages and centralised distribution of goods.

While other economists disagree, saying some price controls could be reimposed, the consensus is that Mr Gaidar's privatisation policy is the jewel in the crown of his legacy, the only guarantor programme is cancelled. Many directors see their own success as being tied to taking their enterprises away from the control of the state, despite the risks. Few have asked to be taken off the list of

enterprises to be sold off. By contrast, the main shortcoming of Mr Gaidar's legacy - which has exposed

The most irritating signs of reform for Muscovites are the kiosks selling imported goods and the rich traders who race around Moscow in foreign cars.

that reforms may be slowed but not

Although the privatisation of largescale enterprises has only just begun, the legislation and mechanisms for its implementation are solidly in place. Enterprises have spent months preparing privatisation plans. Citizens holding vouchers entitling them to buy shares or exchange

him to attack from conservatives - is that structural reforms have not yet filled the vacuum created by the freeing of prices, trade, and wages.

Though shops created by the freeing of trade have helped improve supplies in more remote parts of the country, the most irritating and visible sign of change for many Muscovites is the little klosks

clothes at most street corners and the rich traders who race around Moscow in

expensive foreign cars. The "bazaar" of which Mr Chernomyrdin complained can be dealt with in only two ways. So-called "wild" trade can either be shut down or nurtured through a long-term strategy proclaimed, but not

started, by Mr Gaidar.
This includes the need for a tough industrial policy that will sacrifice bits of industry that are using up resources that could be put into consumer goods produc-tion and switching an overdeveloped mili-tary industry to civilian uses. All Mr Gaidar did was slash procurement for military industry, but far from disappearing, enterprises keep going, expecting - and altimately receiving - handouts from the government and central

"As long as industry is not seriously restructured, the only sector where market mechanisms come to play are in quickly turns to speculation, making profits from reselling scarce goods, rather than producing more of them."

Another aspect of Mr Gaidar's legacy is the strengthening of a small entrepre-neurial class which is not only confident enough to display its wealth but to lobby and influence authorities at both local and central level.

Although the shoots of entrepreneurship are here to stay, they are fragile. Their main fallure so far is that lawlessness and bureaucracy are such that they discourage ordinary people with good ideas from setting up their own busi-

All the evidence points to only one set of sensible policies for a man with centralising instincts: a vigorous industrial strategy which allows for some enterprises and sectors to close down, coupled with action to create jobs.

Mr Chernomyrdin has the political sup-

Yeltsin refuses to lose faith in reforms

But it remains to be seen if the new PM will safeguard them, write John Lloyd and Dmitri Volkov

PIECING together of the events of the past A the events of the purificulty few days shows Russian President Boris Yeltsin made many mistakes: but one of them has not been to lose his faith in his reforms. He remains committed to it - though there are some among the foreign observers who fear he may be too sanguine in thinking Mr Viktor Chernomyrdin will safeguard

The Russian president had, in the two weeks of the Congress, appeared lacklustre and passive. He had made a series of compromises - in sacking Mr Mikhail Poltoranin, the information minister and a close ally before the Congress and Mr Gennady Burbulis, his closest aide, last weekend; in allowing parliament to have the right of veto over the ministers of foreign affairs, defence, interior and security; and in the direction of the reform programme itself. In spite of these concessions, the deputies refused to vote for Mr Yegor Gaidar, his choice as prime minister, last Wednesday – though by only 18 votes.

Mr Yeltsin's sudden announcement last Thursday that he would hold a referen-dum of "trust" between himself and the Congress, should have been the beginning of a populist presidential campaign, Yeltsin against the conservahe took over the governance of Russia. It did not work out so: his appeal for his supporters in the Congress to follow him was heeded by fewer than 200: pro-Yeltsin demonstrations were small. Congress kept its quorum and the next day Mr Yelt-sin agreed to negotiations and compromise with Mr Ruslan Khasbulatov, the parliamen-

tary speaker. The compromise was to hold a referendum - but on the outlines of a new constitution, not on a straight choice between Congress and president. It also gave Congress a "soft" vote on candidates for the role of prime



President Boris Yeltsin (right) with the newly-elected prime minister, Mr Viktor Chernomyrdin, in Moscow yesterday before talks with the visiting Chancellor Kohl

choose from a short list of three and the new prime minister would be in place if Congress supported his choice. If not, the president could use special powers to nominate an

months. On Sunday and Monday, the word from presidential and government circles was that all had been settled - though it was admitted that accidents might happen.

The Gaidar team, and Mr Gaidar himself, were prepared for a new prime minister: they had decided they could work either under the direction of Mr Vladimir Shumeiko, a deputy prime minister and sturdy supporter of Mr Gaidar: or a new figure, Mr Victor Kadannikov, managing director of the AvtoVaz car plant, who is head of the new government advi-

On Monday afternoon, the vote was taken on five candidates of whom Mr Yeltsin approved: these were Mr Gaidar. Mr Kadannikov, Mr Chernomyrdin, Mr Shumeiko - and Mr Yuri Skokov, Mr Yeli tough, and conservative, chief

of staff. The deputies knew all of the candidates except Mr Kadannikov - who arrived flustered and late to the Congress, having been summoned to Moscow only on Monday by Mr Yeltsin the flew from Togliatti, on the Volga, in Mr Yeltsin's private

He was thus given the floor. and made a poor impression: on the floor of Congress, fiddling with the unfamiliar sound equipment, he said: "We in Togliatti approve the reforms in general. There have been mistakes . . . but I am afraid I have no experience of government . . I may not make a good prime minister."

The deputies then voted: Mr

Galdar, walking out of the Congress hall, told waiting reporters he would resign, "and not

Skokov topped the poll, with 637; Mr Chernomyrdin was a close second, with 621; Mr Gai-Mr Kadannikov came just after him, on 399; and Mr Shumeiko was decisively last, on 283. Mr Yeltsin asked for a 40-

minute break: huddled with Mr Gaidar, he asked his prime minister to resign. Mr Gaidar refused, pushing the president to make a decision. Mr Yeltsin asked him for his preference between Mr Skokov and Mr Chernomyrdin: Mr Gaidar, certain that Mr Skokov had no interest in reform, chose his cabinet colleague. Mr Yeltsin went back to the Congress, said he was still for Mr Gaidar but that Mr Gaidar himself had agreed to Mr Chernomyrdin

ers he would resign, "and not come back". In the course of these events

it has not seemed that Mr Yeltthat he played an *od hoc* hand, possibly with conflicting advice. His support for Mr Gaidar appeared the consistent thread - until, at the very end, when it lay within his power to sustain him in office for a further three months, he dropped him. He was, say those close to him, weary and fractious.

It seemed he could not face another bruising battle with a Congress which would have been outraged that their first and second choices had been passed over - though both his ted exactly that choice to be

seemed to have lost all: authority, support from the radicals and the symbol of his reform programme. The explanations of his aides - that "Mr Gaidar was, after all, unpopular and known to the president, and trusted" seemed like a post hoc rationalisation. At the same time, however, the dust was

rapidly settling in Moscow. There were no further resignations from the cabinet and the impression gained by both the German ministers here with Chancellor Helmut Kohl for talks and from international finance officials who had talked to deputy ministers was that most if not all of the "Gaidar team" would stay.

Mr Chernomyrdin underlined, several times, that he had been an active member of the reform cabinet and that the In so acting, he at first reform course would remain.

> \$13.6bn. plan, debt servicing costs in 1993 would be \$4.6bn, while the

upheaval.

Russian deputy prime minister heading the debt negotiations, has said that if the Paris Club insists on its figures, total debt servicing costs for his government next year would be more than \$6bn, including commer-

seek deal for \$16bn of debt

By Quentin Peel in Moscow

Moscow to

THE Paris Club of government creditors of the former Soviet Union is being asked this week to finalise a rescheduling agreement for more than \$16bn (£10.5bn) in outstanding sovereign debts now assumed by the

Russian government. The deal, allowing for repayment over 10 years, with a fiveyear grace period on payments of principal, would open the way for a commercial rescheduling agreement of debts totalling more than \$20bn by the so-called London Club of some 600 commercial bank creditors of the former Soviet Union.

Both deals to reschedule pay ments falling due in 1993 will have to be put together before any agreement has been reached by the Russian govern-ment with the International Monetary Fund on a standby credit - the normal pre-condition for such debt reschedul-

The negotiations are also going shead without any pre-cise rescheduling programme of payments being proposed by the Russian government, in another clear departure from

normal Paris Club rules. Paris today for the full Paris Club meeting on Thursday and Friday, with indications that both sides are prepared to move from their previous

Much will depend on a successful outcome to the current bilateral summit in Moscow between Russia and Germany, by far the biggest creditor nation, and on reassurances by Russia that its economic reform programme will continue to be implemented in spite of the current political

Hitherto, Russia has called for debts totalling \$16.1bn to be rescheduled in the agreement, while the Paris Club creditors have offered to include just

According to the Paris Club Russian side says it can only afford \$2.5bn.

Mr Alexander Shokhin, the

barely \$3bn available. The Russian aim is to pay no more than \$5bn for government and commercial creditors combined, and thus reduce the gap of \$3bn between debt servicing needs, and available hard currency, to around \$2bn.

That sum would then by financed either by the planned IMF standby credit, or by drawing on the IMF stabilisation funds.

Germany's position in the negotiations is critical, because it is by far the largest creditor

It is also insisting that the

The position in the negotiations of the Germans, the largest creditors by far, is critical

cut-off date for the rescheduling - the date after which debts are supposed to be paid on time - should be January 1, 1991, and not January 1, 1992 as requested by the Russian government.

If all goes well in the talks between Chancellor Helmut Kohl and Mr Boris Yeltsin overnight, at Mr Yeltsin's country dacha, then the German government will today express firm support for the rescheduling process, and the aim to get it completed before the end of the year.

As for the commercial banks. formal negotiations on a long-term rescheduling have barely begun.

In Frankfurt, on December 4, the co-ordinating committee, which is headed by Deutsche Bank, agreed on a series of broad principles for such a deal, without discussing any figures.

Those principles are that any rescheduling should be realistic enough to be accepted by the markets; that the debt payments agreed must take into account the economic realities in Russia; and that the commercial banks will not necessarily agree on an identical deal to the Paris Club - although they should not be contradictory, either.

No firm date has been agreed for the next round of talks between the banks and the Russian government.

Citizens express fear of more pain to come it's hard to believe. Yeltsin also provided freedom instead of bread. "It's hard to say if Chernomyrdin will By Leyla Boutton and Dmitry Volkov anything either. But I don't believe ernment driver. "I didn't like what

THE ordinary people in whose name Mr Yegor Gaidar, the father of Russian market reforms, was sacrificed this week, are remarkably sceptical of the promise of kinder reform made by his successor, Mr Viktor Cherno-

promised there would be no poverty. Can it be done? I believe it's all very difficult," said Ms Gallna Viktorova,

49, at a Moscow radio factory. "I don't believe him. There's no reason too. It's just words," said Ms Anna Pomenko, 38, who described herself as unemployed. "Gaidar's

in any of these governments."

sympathy – in retrospect.
"People should not make promises but get on with things, at least Gai-

Mr Gaidar's departure and the return of an old-style figure seem to have prompted a certain amount of

dar's team told us what to expect," said Mr Alexandr Parfyonov, a gov-

Gaidar was doing of course but I felt sorry for him because he was so

clever." said Ms Viktorova.
"As for his reforms, we didn't understand them and we were scared of prices rising to the point where we would not be able to survive." For others, mostly professionals with money or ideals, Mr Gaidar had

carry out his promise. "I don't now anything about him, even though I agree that stopping

poverty is the most argent of tasks, said Mr Andrei Rapninsky, 28, an engineer. "But I liked what Galdar did because of the freedom of choice

M and banker seen as dangerous duo

By John Lloyd in Moscow and George Graham in

THE appointment of Mr Viktor Chernomyrdin as prime minister has been greeted with the same caution in Moscow's foreign business and diplomatic community as it has been

Mr Chernomyrdin is little known outside Russia, nor is he known beyond the energy sector in the country. Those working in the sector have mixed views. "He has done nothing [as energy minister] rienced mineral resources pro

fessional. "He is a good, straightforward industrial manager," said

another. The comments of foreign business need to be set against a depressed commercial environment: a number of representative offices, notably the big Slemens presence, are cutting or are not filling vacant

The huge drop in orders for western goods, and the slow and so far largely unrewarding experience of joint ventures. has long punctured the bubble of enthusiasm in the Russian



Industrial priorities: The chairman of the Russian central bank, Mr Viktor Geraschenko

economy. The balance of diplomatic comment is that he will continue reforms which are anyway difficult to stop in principle - such as privatisa-

However, some believe he will be a dangerous man to

bank chairman who has said he puts industrial needs before purely financial ones. Mr Chernomyrdin confirmed this impression vesterday at his first press conference, when he said that "the first Issue is to stop the decline in industry combine with Mr Viktor and we will need a certain Gerashchenko, the central amount of spending and

finance for this". On the threat of hyperinflation, he said he was "thinking about it".

However, "the simple for-mula, Galdar equals reform, no Gaidar equals no reform, is clearly not applicable here," according to a senior western economic counsellor. "Mr Chernomyrdin has said he's

more friendly to industry, but Gaidar was speaking about an industrial policy too. The new prime minister will be working within the same parameters as the previous prime minister." Mr Chernomyrdin said he wanted "normal co-operation"

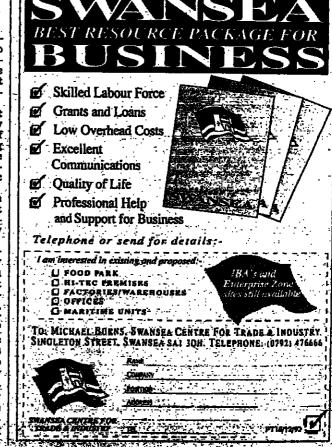
with foreign businessmen (he out that they have already met a group of German busi-ness leaders yesterday after talks with Chancellor Helmut lived through one change of government in Russia, having Kohl) and said that he was quite ready to keep the US advisers presently working with the government – "and there will certainly be some Germans, and Russians. "The important thing is whether they want to help us," he said. Meanwhile, the change in leadership is expected to fur-ther delay negotiations with ers say the country has only drawn \$300m so far from a \$10s preliminary IMF credit tranche which was not condithe International Monetary Fund on a full standby agree ment, which would allow Russia to borrow up to \$4bn (£2.6bn) from the Washington-

based institution. Delays are also expected in loan negotiations with the World Bank. . . A meeting between IMF offi-high. Washington monetary cials and the Russian govern-sources say that western finanment to review progress towards economic reform which had originally been scheduled for Friday has now been put off till January II. regard as adequate.

Even on optimistic assumptions about Russia's ability to implement a reform pro gramme that will satisfy the IMF, it would take at least three months after that to complete a standby agreement. However, IMF officials point

started negotiations with the government of Mr Mikhail Gor-bachev and his economic adviser, Mr Grigori Yavlinsky. Russian ministers said when they joined the Fund last spring that they hoped to com-plete a standby agreement by the end of May (1992). However, international bank-

tional on a reform programme. Bankers say the reason for Russia's failure to use the IMP money is not clear, but the most prominent explanation is that the interest rates are too sources say that western finan-cial aid has continued to flow to Russia, despite the absence of an aconomic reform pro-gramme that they would



Italians

redraw

map

political

By Robert Graham in Rome

THE irreversible process of

political change in Italy has

been underlined by the results

Italian municipal elections

mirror general election voting

patterns and, with more than

1m voters involved, this was a

fair test of electoral opinion.

The outcome has confirmed

the decline of the traditional

parties in favour of forces

gathering a powerful protest

vote, notably the populist

The League, headed by Mr Umberto Bossi with his feder-alist anti-Rome platform, has

The Bank of Italy has repaid

Ecu12.2bn (\$15bn) lent by the Bundesbank and the Belgian central bank during the Sep-

tember currency crisis. Over

90 per cent was owed to the

Bundesbank and had to be

repaid by yesterday. Almost

half the funds wer repaid in

Ecus, the remainder in D-Marks and dollars. A further

Ecu2bn owed to the two insti-

tutions has been rolled over

northern Italy. If the munici-

pal vote were translated on to a national scale in a general

ond largest party with close to

15 per cent of the vote. The once powerful Christian Demo-

crats have seen their national

vote fall from the general elec-

tion level of 29 per cent, a his-toric low, to below 24 per cent.

The Socialists have fared even

worse with their share of the

vote at 9 per cent. and half this percentage in the north.

after the April general electio

showed Italy moving towards

a broad division into three

areas - the north, with the

League struggling for domi-

nance; the centre, broadly con-trolled by the former Commu-

nist party of the Democratic

south, in the hands of the

Christian Democrats and the

The map is now far more

complex. The League has con-

solidated its position on a

larger scale in the north. In

the key industrial cities of

Monza and Varese, it has 32

per cent and 37 per cent

vote, compared with 20 per

and 27 per cept in April, Mr.

Bossi bas also shown the

League is a force in the centre,

doing well in La Spezia and

The PDS is under threat

from its breakaway Commu-

nist rival. Reconstructed Com-

munism which is attracting a

mix of the young and Marxist

nostalgics. Equally significant,

The Network (La Rete), the

year-old clean government

movement has proved it can

win votes up and down the

country. Although it has

under 5 per cent of the vote, it

has more than doubled its gen-

The Network has stolen

votes from Christian Demo-

crats and Socialists, as well as

the Republican party, which had hoped to profit by distanc-

ing itself from the govern-

ment. The Republicans' failure

is part of a generalised voter

disenchantment with all the

old parties. The exception here

is the neo-fascist, MSI, which

has lifted its national vote by

The results have added

urgency to the work of the 60strong joint parliamentary

commission studying electoral reform and constitutional hange. Without such propos als, it is hard to envisage early elections - even if the coali-

tion government looks increas-

Editorial comment, Page 12

2 per cent to over 7 per cent.

eral election performance.

Viareggio.

The political geography

for another three months.

of municipal elections held on

Sunday and Monday

By Christopher Parkes in

THE looming German

recession will damp down

inflation and money supply

growth and allow the Bundes-

bank to cut interest rates after

next spring, a leading govern-

so-called five wise men,

warned, however, that the

bank would move cautiously

since it would have to take

into account the effects of ris-

ing US interest rates on the external value of the D-Mark.

The federation of German

industry, BDI, said there was a

danger that the rapid deterio-ration in confidence could lead

to a longer recession.

Production cuts would have

to continue, the rate of lay-offs

would accelerate, and indus-

trial capacity use would shrink

further. At present some 17 per cent of west German manufac-

turing capacity is idle.

An export-led recovery will begin in the second half of next

year according to most fore-

casts. However, the federal

trade and industry association.

DIHT, said French reluctance

to approve the farm production

compromise in the General

MEPs yesterday called on the

European Commission to adopt legislation to close loopholes in

the single market, which is due

ber states are likely to resist

wave of law-making, which

they believe would further

allenate EC citizens, as the

first tide of legislation begins

to ebb. Governments will con-

centrate on implementing and

line, member states have

adopted all but 5 per cent of 282 measures in the June 1985

single market white paper.

which seeks to encourage the

free movement of people,

the 12 hope to agree on some of

the outstanding legislation

when they meet tomorrow.

They will try to agree tempo-

rary measures allowing fron-

tier controls on goods to be

lifted, even though systems for

regulating movement of items

such as explosives and art

works will not be in place by

In a report to the Parliament,

Mr Ben Patterson, a British

Conservative MEP, yesterday

proposed a new white paper

setting new goals and "correct-ing the negative environmental

and social impacts of the inter-

nal market". His report, pre-

pared for the Parliament's

committee on economic and

monetary affairs and industrial

policy, says gaps exist in the

single market, including: * a definitive system for col-

lecting and monitoring value

January 1.

Internal market ministers of

goods, services and capital.

With just over two weeks

enforcing existing laws.

pressure to unleash a new

to open on January 1.

Brussels urged

in single market

to block gaps

Mr Rüdiger Pohl, one of the

ment adviser said yesterday.

German rate

cut 'possible

after spring'

Trade talks could lead to a

trade war. This would obliter-

ate hopes of improved exports.

There were no signs that

domestic conditions would

improve next year, which

would be the worst for the Ger-

man economy since 1982, the DIHT said. In that year indus-

trial production fell by more

than 3 per cent and gross national product fell by more

Control of pay rises and gov-

ernment spending were espe-

cially important in the battle

According to Mr Otmar Iss-

ing, a member of the Bundes-

bank's central council, money

supply growth would fall dur-

ing November and December from the year's 10.3 per cent

peak last month. Even so, it

would still be well above tar-

get. On inflation, the only posi-

tive sign so far was a drop in

import prices. This fall, of

around 5 per cent, has stemmed mainly from the

recent appreclation of the

A critical point would be

reached in January when Mr Issing expected inflation to rise

above 4 per cent after an increase in value added tax.

place until 1997 at the earliest; * freedom for airlines to oper-

iob has not been completed."

not properly implemented sin-

Reuter adds from Madrid:

Nine EC countries yesterday

approved a passport sticker let-

ting them abolish border con-

trols for their own nationals

and other visitors, Mr Carlos

Westendorp, Spain's state sec-

retary for the EC. said. The

move meant travellers from

most countries with a visa to

visit any one of the nine

so-called Schengen group states would be able to enter

Nationals from the nine

would be able to move through

each other's territory with the

hologrammed label. The nine

comprise all EC states except

and plan to abolish internal

frontiers before the EC as a

whole Britain Denmark and

Ireland want to keep border

checks for non-EC nationals

but the Schengen group will

scrap controls on visitors from

tled to use the new sticker.

the others without checks.

gle market legislation.

than I per cent.

against recession.

. Maring group ...

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The Financial Times (Europe) Ltd
Published by The Financial Times
(Europe) GmbH, Frankfurt Branch,
Nibelungenplatz 3, 6000
Frankfurt-um-Main 1: Telephone 49-69
156850; Fax 49 69 5964481; Telex
416193, Represented by E. Hugo,
Managing Director, Printer: DVM
GmbH-Hürriyet International, 6078
Neu-Isenburg 4, Responsible editor;
Richard Lambort, Financial Times,
Number One Southwark Bridge,
London SEI 9HL, The Financial Times
Ltd, 1992.

Registered office: Number One, Southwark Bridge, London SEI 9HL. Company incorporated under the laws of England and Wales. Charman: D.E.P. Palmer. Main shareholders: The Financial Times Limited, The Immenal News Limited, Publishing director: J. Rolley, 168 Rue de Rivoli, 75044 Paris Cedes 01. 7et (01) 4297 0621; Fax: (01) 4297 0629. Pdilor: Richard Lambert. Printer: SA Nord Eclair, 15/21 Rue de Caire, 39100 Roubaix Cedes 1. ISSN: ISSN: 1143-2753. Commission Parliaire No 67808D.

Financial Times (Scandinavia) Vimmelskuftet 42A, DK-1161 Copenhagen-K, Denmark, Telephone (33) 13 44 41, Fax (33) 935335.

Excavation takes place amid calls by western leaders for war crimes tribunal

UN team to dig up Croatian mass grave

NEWS: EUROPE

A TEAM of United Nations pathologists today will oversee the excavation of mass graves in eastern Croatia in the former Yugoslavia, amid calls from the international community for the creation of a war crimes tribunal.

A team of pathologists and archaeologists is due to visit Ovcara, a village near Vukovar in eastern Croatia devastated last year by the Yugoslav army. They will dig up a grave where some 300 civilians and Croat soldiers are feared to be buried in cornfields after being taken from Vukovar hospital and executed by Serb forces when they seized the town in November last year.

It was uncertain whether local Serb authorities in the UN zone would try to obstruct the investigation which could incriminate high-ranking Yugoslav army officers. The UN team is headed by Mr Clyde Snow, an American pathologist who has conducted similar investigations in Central America.

The excavation could produce evidence for a war crimes tribunal which western leaders are seeking to try those responsible for atrocities in Croatia and Bosnia.

The US and France are discussing creating a permanent international war crimes court whose first task would be to try war criminals in former Yugoslavia, the French foreign ministry said yesterday. "The Ovcara excavation is under the auspices of the UN

commission set up to investigate reports of atrocities in the Bosnian war among Serbs, Croats and Slavic Moslems. Serb forces, the biggest army, are seen as most responsible for killing, expelling, and tor-turing non-Serbs. Amid growing demands for foreign mill-

bloodshed in Bosnia, a Bosnian Serb comander yesterday warned "intervention would be suicide." Bosnian Serb leaders have

tried to prevent intervention by claiming Bosnia would be another Vietnam. • Mr Cyrus Vance and Lord prise foray into Serbian domestic politics with an appeal to voters to choose peace in this weekend's presidential elections, Reuter adds from the Geneva conference seemed to urge support for moderate tion will choose the course of peace and not the policies of

Mr Panic, who returned from California to become prime slavia in July, is competing for the Serbian presidency against Mr Slobodan Milosevic, the



. Bosnian Serb soldier embraces his brother, killed in lighting with Moslom forces, at a funeral near Maglaj in central Bosnia

EC brings forward date to end CFCs use

ate anywhere in the Community, which will not be granted until April 1997: proposals for liberalisation of the EC energy market, which are opposed by a majority of member states. "We don't want to be too ozone layer.

downbeat about the single market, because 95 per cent of the legislation is there," said environmental Mr Patterson. "But there is a strong undercurrent that the Mr Martin Bangemann, interto reassure MEPs, saying EC citizens would have a right to sue governments which had

decisions in Copenhagen on the Montreal Protocol, the 93nation pact governing action on the ozone layer Ministers last night asked the commission to bring forward even faster phase out targets early next

It was agreed in Copenhagen to reduce CFC use by 75 per cent by the end of next year, and phase them out entirely by 1996, four years ahead of schedule. CFCs, used mostly in refrigeration, aerosols, air conditioning and insulation, have done most to thin the ozone

Scientists predict an increase in eye cataract conditions and skin cancer, caused by ultra-violet radiation the ozone layer filters out. Agreement on the environ-

Britain, Denmark and Ireland, ental audit regime was also held up by a roughly even split on whether the EC should award a logo to companies fulfilling the common criteria. Ministers were also expected 120 countries who will be enti-

EC ENVIRONMENT ministers agreed to bring forward the dates by which the Community ends the use of chlorofluoro-carbons (CFCs) and other chemicals which deplete the

They were also moving closer to agreeing common rules for endorsing company although Spain and Germany want the rules tailored more for small to medium-sized com-

The EC is adapting its own CFC targets to last month's

to adopt tighter exhaust emission targets for light trucks.

IMF revokes Yugoslavia's membership By George Graham in unable to make payments to share each must accept of the

THE International Monetary Fund has revoked Yugoslavia's membership and laid down the conditions for its successor republics to become members.

After weeks of deliberations on a legal formula, the IMF concluded that Yugoslavia had ceased to exist and had therefore ceased to be a member. The decision lays down the former Yugoslavia's liabilities to the Fund, which amount to about \$217m. Each republic must not only notify the IMF that it agrees to

take its share of responsibility but must also be "found by the IMF to be able to meet its obligations" and be up to date in its payments to the Fund.

This will effectively exclude Serbia and Montenegro, which the IMF plans to treat as a single Federal Republic of

the Fund as a result of the United Nations embargo. The World Bank, the IMF's sister institution, will follow

suit, although most of its \$2bn

loans to Yugoslavia involved specific projects, and liabilities can therefore be assigned on a geographical basis, rather than simply as a percentage share.

The Bank has been much

more concerned about how to deal with Yugoslavia because of the possibility that Serbia might, if it were drummed out,

ing debts, leading to the first formal default in the develop ment institution's history. Many IMF directors have felt, however, that since Serbia is behind in its payments, little extra risk would result from its exclusion; in addition, they believe Serbia will not want to

burn its bridges. Western financial officials have been eager to open the way for Creatia and, especially, Slovenia to IMF and World

Van den Broek joins EC jigsaw

By Lionel Barber and David

THE appointment of Mr Hans van den Broek as the Netherlands EC Commissioner means that one of the missing pieces in the forthcoming Commission reshuffle jigsaw is now on Next Tuesday the 17-strong

Commission meets in Brussels to parcel out top jobs ranging from foreign affairs to competition for at least the next two years. Mr Jacques Delors, the Commission president, is almost certainly the only person who knows how the pieces will fit into place.

In selecting his team, Mr Delors must balance personal egos and the national interests of the Twelve, as well as obey a number of unwritten conventions such as handing over the big ticket agriculture portfolio to a small state.

Mr van den Broek's high profile in foreign policy will add weight to the Commission: but it is far from certain whether he can take over the bloated external affairs portfolio held until now by Mr Frans Andriessen, the outgoing

Mr van den Broek's appointment came as a surprise even though fellow Dutchmen Mr Andriessen was widely expected to leave the Commission writes Ronald van de Krol in Amsterdam Mr van den Broek has been

foreign minister for 10 years and is the only cabinet minister to have served in all three governments formed by prime minister Mr Ruud Lubbers since 1982. A staunch Atlanticist and a

proponent of European integration, he was closely involved in efforts to stop the fighting in the former Yugoslavia during the Dutch presidency of the EC in of 1991. Mr Pieter, Kooijmans, 59, a professor of international law at Leiden University, will take

Dutch commissioner. There are four strong candidates for this job which makes it likely that it will be split up. Sir Leon Brittan, the UK's senior commissioner now in

charge of competition, wants

to hive off trade policy and

over as foreign minister.



Van den Broek: high profile in foreign policy

zealous in cracking down on

Mr Martin Bangemann, Germany's EC senior industry

commissioner, also wants to

relations with Eastern Europe. France may back his bid because it sees him as over

ties in an effort to create what EC officials describe as a Japanese-style ministry of trade and industry.

Mr Joao de Deus Pinheiro, Portugal's highly regarded former foreign minister, may also expect to take over some areas of foreign policy - possibly responsibility for negotiating EC entry for Austria, Finland,

den and probably Norway. If Sir Leon were to surrender competition, a possible replace ment is Mr Karel Van Miert. the Belgian commissioner now in charge of transport and temporarily environment. Even Mr van den Broek is not excluded for this heavyweight job.

Only Ireland has yet to nominate its commissioner to replace Mr Ray MacSharry, the agriculture commissioner and EC farm trade negotiator. The current betting is that the Irish candidate will take the sensitive social affairs portfolio, with Ms Maire Ceoghan-Quinn, transport minister in the outgoing Dublin government, or Mr Barry Desmond, a Labour MEP and former health minister, being tipped for the post.

Eurofighter has lift-off but its flight schedule is uncertain

Questions remain about production of the aircraft which will sustain Europe's defence industry, writes David White

HE European defence industry's largest new collaborative project is back in business. The restoration of a partnership between Britain, Germany, Italy and Spain to press ahead with the former European Fighter Aircraft, now unimaginatively renamed Eurofighter 2000, promises work for their aerospace and electronics companies well into the next decade.

But having examined last week's agreement between defence ministers there are still uncertainties about how and when production will be carried out.

Over the next six months the partners have to work out changes in specifications, how to accommodate different requirements and how to reallocate production to achieve aimed-for cost reductions in the

c20hu-plus project. Germany, after saying this summer that it would not go beyond development, is still not formally committed to production and is not due to decide, by vote of parliament, until 1995. This is after its next gen-

There are really more questions than answers for the time being," said Deutsche Aerospace (DASA).



The second European Fighter Aircraft, now renamed Eurofighter, being mbled at the British Aerospace Warton Aerodrome in Lancashire

The Daimler-Benz subsidiary, with divisions involved in the airframe, engines and radar and electronic systems, is the company that would have suffered the biggest immediate

impact if Germany had pulled out, The other main industrial participants are British Aerospace, GEC-Marconi, Rolls-Royce, the Italian Alenia and Fiat groups and Construcciones Aeronauticas (CASA) of Spain. According to the Society of British Aerospace Companies, 14,500-15,000

people are already engaged in Eurofighter work in Britain. BAe says it has about 1,000 directly involved in the programme; Rolls-Royce 2,000; and GEC-Marconi, described by its managing director Mr David Fletcher as having "more at stake on that aircraft than any other UK company", about 3,000. Estimates of the number of UK jobs the programme will sustain at the height of production vary from 28,000 to 40,000. German industry reckons on direct employment of 20,000, with a similar number of indirect jobs.

In Italy Alenia alone has 1,500 people engaged in development work on the airframe and electronics. This is expected to rise to more than 5,000 out of total Italian employment of 9.000

But all companies will have to cope with a slower build-up in the programme. BAe is pinning hopes on a Saudi Arabian order to enable it to resume production of Tornado bombers at its main military alreraft plant at Warton, Lancashire. Otherwise it will have to rely on upgrade work and assembly of Hawk light fighters

to keep the plant going until Eurofighter production starts in four or five years. Two years ago, the expectation was that it would begin in

Spending on development is being slowed down, even though the programme has already fallen a year behind. The first prototype is now expected to fly early next year.

Britain and Italy both want their first production Eurofighters in the year 2000. This means they have to find ways to start setting up production before Germany has decided whether it will purchase the aircraft or how many - a decision that will determine its final share in the pro-

The fact that Germany and Spain do not want Eurolighters before 2002 means that the others will presumably have to take all the early production aircraft, complicating their spending plans.

A study by the industrial partners in October identified possible cost savings of 13 per cent by centralising some production, reassessing logistic support costs and purchasing some equipment off the shelf. Further reductions - bringing total savings to the 30 per cent German 'arget were possible if partners wented less

sophisticated equipment. British officials insist that the revised project will bring some

savings to the UK, against an earlier estimated "flyaway" price - excluding the cost of development, tooling, spares or support - of £30m per aircraft. But how much will be partly determined by other partners' The current premise is that the

"basic" Eurofighter will keep the same airframe, engines and radar. But it is unclear whether Germany will want the joint ECR90 radar, a UK-led project which it endorsed reluctantly in early 1990. If it does not, the UK would have to assume a greater share of the ECR90's cost.

Partners will in any case need to decide on new workshares for the production phase.

Questions focus, for instance, on whether the wings should continue to be made by three countries - an Italian port wing and a starboard wing shared by Britain and Spain. Practices such as flying printed circuit boards around for different part. ners to do work on them are due to stop. However, none of the four countries is ready to abandon its rigim to a final assembly line



Rabin pursues | Crisis-ridden Kenya limps to the ballot box peace despite kidnap murder

MR YITZHAK RABIN, the Israeli prime minister, yester-day promised a "merciless" campaign against militant Islamic fundamentalists in the occupied territories after a paramilitary policeman kid-napped at the weekend was found murdered by a roadside in the West Bank.

But Mr Rabin told parliament his government would not be diverted by such acts from its commitment to Middle East peace talks with the Palestinians - as well as Syria, Jordan and Lebanon – currently going on in Washington.

He was speaking after the body of Border Police Sgt-Major Nissim Toledano was found bound, strangled and stabbed and dumped close to the road from Jerusalem to

Sgt-Major Toledano was kidnapped early on Sunday by Qassam, the military wing of the Islamic fundamentalist group Hamas, which originally demanded the release of Sheikh Ahmed Yassin, the founder of Hamas jailed for life by Israel. Although the government suggested it was prepared to discuss the demand if it was assured Sgt-Major Toledano was still alive, there was no further word from the

abductors. Mr Rabin said the kidnap, and the deaths of five other soldiers in the past week, were intended "to kill Jews and Israelis and to kill peace". But he said he had no intention of halting the peace talks. "We continue to believe that the political solution will give peace to us and those surrounding us."

However he added that there would be no halt to "the war reliable news from Gaza.

against terrorism". He said 1,200 leaders and activists of Hamas, which strongly oppose the peace talks, had been arrested since the kidnap in the Gaza Strip and the West

bility of the peace talks".

revised agenda aimed at overcoming problems delaying agreement on an interim period of Palestinian self-rule.

calling for an Israeli withdrawal from occupied lands apply to the interim stage as well as to a final settlement to be negotiated subsequently. All delegations to the peace talks are due to meet President George Bush tomorrow before adjourning until after the Clinton administration takes over next month.

dents in Israel yesterday pro-tested to Mr Rabin over the

Mr Shriteh, who works as a part-time correspondent for Reuters, News Agency, the BBC, the New York Times and occasionally for the Financial Times, is widely regarded as an independent and accurate reporter of Gaza's violent politics. His detention in effect ively cut off the main source of

French acknowledge US command in Somalia

By David Buchan in Paris

FRANCE yesterday closed ranks with the US by stressing that its soldiers in Somalia were under US operational command and that their misfood and medicine rather than to seize arms.

A conflict between respective French and US missions arose out of an incident earlier this week, when French soldiers were ordered by a US officer to return a machine-gun to Somalis who were said to be guarding food supplies for an international aid agency. This drew criticism from the French government which said that disarming the Somali population was in line with the United Nations mandate.

But in Paris yesterday the defence ministry underlined that the 350 French troops at present in the country were under the effective command of the much larger US force.

Rao sacks

3 state BJP

The Foreign Ministry spokesman said that "when French troops find arms in the areas they control, they will take them," leaving the impression that they would not actively

seek out weaponry for seizure. Nevertne ss. French suppor for a more active military role in both Somalia and Bosnia is underlined in a CSA opinion poll published today. Eightytwo per cent backed such a role in Somalia and 67 per cent in Bosnia. France has 4,500 soldiers in the ex-Yugoslavia.

Leslie Colitt adds from Ber-

lin: A prominent US foreign

policy adviser has said the US military intervention in Somalia had other objectives besides the outgoing administration's desire to alleviate starvation. Mr Robert Hunter, a National Security Council member under former President Carter, said the struggle over future planned reductions

played a role.

"Our intention is to continue mercilessly to hit - in accor-dance with the law - the organisation, its members and its collaborators." In Washington Dr Haldar Abdel-Shafl, the head of the Palestinian delegation, said the effect of the violence was to "reduce the credi-

Nevertheless, Israel has pres-ented the Palestinians with a

It apparently goes some way to meeting Palestinian demands that UN resolutions

• International human rights groups and foreign corresponarrest on Monday night of Mr Taher Shriteh, the leading resident journalist in the Gaza

intimidation and manipulation of the nomination process. The allegations have overshadowed what will nonetheless be a key issue when voters go to polls on December 29 - the state of the country's econ-omy, battered by corruption and mis-

Opposition parties are focusing on the government's poor economic record, alleging continued corruption and lack of commitment to reform. Across the country opposition politicians are telling farmers, workers and the growing millions of unemployed that the government of President

Daniel arap Moi has failed to realise

Kenya's potential "This election is make or break for the economy," said Mr Robert Shaw, economic adviser to the main opposition grouping Ford-Kenya. "Only the opposition have the will to put the economy back on track and raise living standards for ordinary Kenyans." International donors, who last November suspended about \$300m a year of aid to Kenya until the government re-introduced democracy and beefed up its economic reform efforts,

also view the election as critical for

Kenya's economic future. Many have

ENYA'S first multi-party election campaign enters its final fortnight amid allegacome to see an opposition victory, on a well-thought-out programme of emergency economic measures, as the tions of state-sponsored violence, only way out of a gathering crisis. An International Monetary Fund team which visited Kenya in September to asses a shadow reform pro-

gramme gave the country what one donor called "a C-minus grade". Real per capita income growth is set to decline for a second year, inflation has rocketed to 37 per cent, money supply creation is well over the limits set in the budget, and the government has accumulated large arrears on its \$6.8bn external debt, raising the prospect of having to negotiate its first debt rescheduling agreement.

The agricultural sector, which contracted by 1.1 per cent in 1991, is set for further problems as a result of continued political intervention by government institutions.

Politically sponsored corrupt deals this year, most notably in sugar imports, and mounting evidence of government using the banking system to fund its political campaign, have pushed the economic reform programme further off track.

Donors say the government has made little progress on the three economic issues that led to suspension of aid: corruption, a burgeoning budget deficit and parastatal reform. A document issued by the US

embassy in Nairobi is typical of donor discontent. It says Kenya has fallen on hard times due to "simple, if all pervasive, government mismanagement". The report notes the increased exposure of "scandals highlighting the illegal diversion of massive resources" and says: "The government has failed to respond to the crisis, instead it has avoided undertaking needed reforms and continues to perpetuate large budgets, inefficient government-dominated production

and a selective award system to privi-

leged groups."

An economy battered by corruption and mismanagement is key issue, writes Julian Ozanne

The task set by donors last November - carrying out austere reforms in conjunction with political liberalisation - was always going to be difficult for the government. During the past year some progress has been made in foreign exchange liberalisation by the provision of foreign exchange export retention accounts and in further price liberalisation.

A senior western economist in Nairobi says the money supply has expanded by 35 per cent this year on an annualised basis against an IMF target of 10 per cent. Much of this money creation is going to swell the campaign war-chest of the ruling party Kanu. The central bank is pumping in liquidity via the "political

banks" - those with political connections - through misuse of the export pre-shipment finance scheme, which grew by Ksh10bn (£180m) this year.

Donors are also angered by the government's recent decision to abolish its programme of liberalising maize marketing, supported by millions of dollars from the EC, US and World Bank. The government recentlybanned the free movement of maize and made the inefficient and corrupt National Cereals Produce Board the monopoly purchaser of maize.

According to western economists this move was politically motivated because it gave the government control over which areas would receive maize in the run-up to elections. "If you don't support Kanu you won't get maize," said one diplomat.

Liberalisation of maize marketing has been a critical part of the donorfunded agricultural reform drive since 1986, which, according to one donor, is "now back to square one". In response to the government's move the World Bank is considering cancelling its loan to the sector worth US\$35m. The EC has also suspended a \$13m loan from its Stabex Fund as a contribution to this year's crop purchase by the NCPB.

Another World Bank loan for export promotion worth \$160m is also being held back pending better

macro-economic performance. ruption has been on the increase. Throughout the year the government awarded contracts to politically connected businessmen to import at least 80,000 tonnes of sugar free of duty and

Huge profits were made as artificial shortages were created to push up which, unlike domestically produced sugar, is not price controlled. Imported sugar has sold throughout the year at four times the price when ed at Mombasa.

n his annual report Kenya's Auditor-General revealed a number of serious irregularities in state affairs, including financial deals involving the Treasury and the minis-try of lands and housing. The government has taken no action on the report's findings.

Similar corrupt practices have been exposed in Kanu's political campaign finances. In September, for example, the National Social Security Fund, the state pension and social security body, paid Kshi.2bn for two plots of land worth only Ksh66m. The land was owned by Mr Cyrus Jirongo, the chairman of Youth for Kanu 92 the organisation spearheading Kanu's electoral campaign.

Japanese

orders fall

JAPANESE capital investment

is continuing to fall steeply,

according to government fig-ures published yesterday

which show machinery orders in October fell by 28.6 per cent from the month before, Charles

Leadbeater reports from

The government's Economic

Planning Agency said that

orders received by Japan's leading machinery makers

were 30.7 per cent down on the

same month last year. Orders from manufacturing in October fell by 31 per cent from the

previous month to Y345bn (\$2.7bn) 82bn) while orders from non-manufacturing fell

by 25.7 per cent to Y456bn. Public sector orders fell by 18 per cent from September, but

were 5.7 per cent up on the year before reflecting the sharp

increase in government spend-

ing on public works.

A group of Malawi dissidents yesterday condemned the jail-

ing of their leader and called

for continued pressure on the government of President-for-

life Hastings Kamuzu Banda.

The Alliance for Democracy

(Aford) said in a statement

issued in Lusaka that the trial

of its interim chairman, Mr

Chakufwa Chihana, had been

marked by *unprecedented

political interference in judi-

cial proceedings". Mr Chihana,

a trade unionist and long-time opponent of Mr Banda, was

convicted in Blantyre on Mon-

day on two counts of sedition

Reuter reports from Lusaka.

Malawi dissidents

condemn jauing

Tokyo.

machine

Refugees escaping fighting between Tajik Islamic and communist forces walt in tractor-drawn trailors to enter the safety of the capital of Dushanbe yesterday

IDA to target poorest countries for loans

International Development Association (IDA), provider of low-cost aid to developing countries, said yesterday it would distribute more of its resources to the world's poorest, least creditworthy countries. Reuter reports from Berne.

The IDA, an arm of the World Bank, also said its 34 donor countries had agreed to in US defence spending also replenish IDA funds with SDR13bn (£11.8bn) over three

years from next July.
The IDA "will reduce the share of its lending to countries able to access international financial markets as well as IDA resources," said Mr Ernest Stern, World Bank managing director.

He added that the countries likely to receive less of IDA's aid than in previous years were China, India, Pakistan, Nigeria and a number of others which all could raise money on

international capital markets. It would focus more on the poorest countries of South-east Asia, Africa and Latin America, with particular emphasis on poverty reduction, family planning and social services for women in these areas.

The 34 donor countries met in Berne to complete the negotiations, which began earlier this year, on the 10th replenishment of IDA resources. Mr Stern said the willingness

of donor nations to contribute \$18bn - a slightly increased amount in real terms over \$15.5bn agreed by donors in the ninth replenishment - was remarkable at a time of sluggish economic growth and fis-

cal restraint

The dispute highlights the

problems of liberalisation. The

companies to operate scheduled

state-owned carrier.

government has anthorised private

routes to promote competition and raise standards of efficiency at Indian

Airlines and at Vayudoot, a smaller

Seven new carriers have taken

to the skies, including Bombay-base

with East West. But Indian Airlines complains that East West can cream

off the best routes whereas Indian

is poaching pilots. The state carrier, which has 570 pilots, has lost about

30 this year to East West and other

Airlines is required to serve all

corners of a vast country.

After repayments by borrowers the IDA would have some \$22bn at its disposal for funding development projects between mid-1993 and mid-1996. Some leading donors had not certain countries.

shares of total contributions they had made in previous IDA replenishments, negotiations, Mr Stern said. He added that demand on IDA resources had risen in real terms because the

number of borrower countries had increased and greater attention was being paid to the environmental aspects of aid. This would constrain some of IDA's support for projects in

Deonar and Dharavi was more than a

spontaneous reaction to the destruc-

tion of the shrine in Ayodhya, ascrib-

ing it to rivalries in the city's vast

underworld network beadquartered in

All the Moslem families of a section

of sprawling Dharavi (population over

500,000) have been evacuated to safer

areas, while Moslems, sometimes with

the help of their Hindu neighbours,

Algiers curfew worsens violence

and jailed for two years.

The curiew imposed on Algiers and surrounding provinces 12 days ago has led to an escala-tion of violence, with five members of the security forces and six Islamic militants losing their lives since the beginning of this week, writes Francis

The militants were killed early yesterday in a house where they had found refuge near the Kouba mosque on the eastern side of Algiers, a district which was a the Islamic Salvation Front stronghold until the party was banned 10 months ago. Some commentators in Algiers saw last Monday's killings as a defiant response to a statement made last weekend by Algerian leaders of a "clear improvement in the anti-terrorist struggle."

Donors promise aid to Mozambique

international donors yesterday promised some \$200m to build peace and avert famine in Mozambique, Reuter reports from Rome. The largest single pledge, \$90m, was made by the European Community. Italy, which is besting a two-day which is hosting a two-day donor conference for Mozambi que, promised some \$74m.

Timorese guerrillas ambush patroi

Timorese guerrillas said yesterday they had ambushed an Indonesian patrol in East Timor, killing at least 30 soldlers, in the first attack since the capture of rebel leader Xanana Gusmao, Reuter reports from Sydney.

Myth of secularism comes to an end in Bombay

Shiraz Sidhva on why India's commercial capital was least prepared for the violence after Ayodhya

governments INDIA'S federal government sacked three state governments ruled by a pro-Hindu party yesterday and placed them under direct rule following vicious communal riots sparked by the razing of a nosque, Reuter reports from

New Delhi. An official said the decision was taken at a cabinet meeting presided over by Mr P.V. Narasimha Rao, prime minister. and conveyed to President Shankar Dayal Sharma. A presidential proclamation

said Madhya Pradesh, Rajasthan and Himachal Pradesh ruled by the Bharatiya Janata Party (BJP), had been brought under New Delhi's direct rule. Mr Rao has been under pressure from within the cabinet and the ruling Congress party to sack the three BJP-ruled governments to make a ban on several religious groups effec-tive. The official said the cabinet's decision was based on the reports of the governors of the three states.

The BJP government of northern Uttar Pradesh state was dismissed immediately after the razing of the mosque in Ayodhya by frenzied Hindu mobs on December 6.

The government last Thursday banned the Rashtriya Swaymsevak Sangh (RSS), the Vishwa Hindu Parishad (VHP, World Hindu Council) and the Bhajarang Dal, all linked with the BJP and the temple campaign. It also banned two Moslem religious groups.

O HELL with your secularism if it is at the cost of Hindus," says Mr Bai Thackeray, the founder of the Shiv Sena, Bombay's most militant political party, sitting in his plush suburban home.

As rioting swept the city last week in the wake of the demolition of a mosque at Ayodhya in northern India, it was clear that the Sena, a political ally of the Hindu right wing Bharatiya Janata Party, was not about to let the city's Moslems get away with protesting against the destruction of the laharashtra (Hail Maharashtra)!".

Calling a strike which paralysed the city on December 9. Sena supporters targeted Moslems, mostly in the slums, where half Bombay's 12m people live. The Hindu fanatics were spurred on by the indifference of the largely Hindu police force in some places and blatant connivance in others. The police have become the object of mistrust and hatred like never before in Bombay," said Mr George Fernandes, a senior opposition Janata Dal MP who toured the not-

The Shiv Sena (literally, army of Shivaji, the 17th century warrior leader from the region, who fought the Mughal king Aurangzob) was founded in Maharashtra state, of which Bombay is the capital, in the 1960s, primarily as an anti-communist movement, to combat the trade unions that controlled the city's tex-

tile mills, railways, and hanks Mr Thackeray, a former cartoonist and writer who changed his Indian name to use that of the English writer he admires, strokes his granddaughter's hair as he flatly denies responsibility for the violence in nearby Dharavi. Asia's largest slum, where members of his organisation threatened Moslems with daggers; forcing them to flee their homes. He insists his men are only responding to the provocation by Moslems. "If you slap me, why should i not hit back?" he

The Sena has an estimated strength of 200,000, about 20,000 of whom are actively militant, mostly unemployed youth. Sitting under the picture of a growling tiger which is his party's symbol, he says: "Every Maharash-trian is a Shiv Sainik (soldier). Jai

Bombay, india's commercial capital, was the city least prepared for and worst affected by the communal violence that swept India last week. The city, which had previously scorned religious intolerance in other parts of India and prided itself on being India's most cosmopolitan and secular, came to a grinding halt for four between Moslems and Hindus left 215 dead and more than 1,000 injured, the highest toll for any place in India (the country-wide toll was more than

More than the business losses of an estimated Rs5bn (£110m) incurred in Bombay last week. The events shattered the myth that Bombay was aloof from politics and caste, unconcerned about anything but commerce. The city's stunned residents were forced to accept that under Bombay's cosmopolitan veneer lay a volatile mix of social tensions and communal polaris-

Reports that over 150 deaths had been the result of indiscriminate police firing, suggest a breakdown of the rule of law, with the police openly exhibiting their sympathy to the Shiv Sena cause. Eyewitnesses and the bodies of victims in morgues and hos-

Indian businessmen, trying to recover from the disruption of the Ayodhya crisis, have run into a more familiar difficulty – a strike by pilots of Indian Atrlines, Stefan Wagstyl reports from New Delhi.

The state-owned domestic carrier has been operating only about 25 per cent of its normal flights since st pilots went on strike on Friday, throwing the timetable into chaos. The pilots want pay increases to close the gap with the salaries paid by India's newly created private Indian Airlines management

retorts that the private carriers' pilots are much more productive than those at Indian Airlines. The managers also say the pilots' pay is already excessively high. An official estimates the average pilot receives about Rs30,000 (£670) a month, or about ten times as much as a booking clerk and three times as much as the airline's chairman.

pitals testify that police shot people mostly Moslems, in the head and chest, aiming to kill rather than dis-While much of the violence wasconfined to the slums, buses were burnt and windscreens smashed in affluent residential areas like the suburb of

Bandra. "Violence was something

we'd only read about in the papers, it

never happened to us on our way to

work," said Mr Ajit Dayal, an investment consultant. What frightened most citizens was the state machinery's failure to control the rioting, which police say started when Moslem processions began flooding the streets protesting at the destruction of the mosque.

Mr Sudhakarrao Naik, the chief minister of the state ruled by the Congress (I), took over 40 hours to return to Bombay from a party meeting he was attending in Nagpur. Even Mr Sharad Pawar, the country's defence minister, who comes from the state, admitted after a visit to the worst-hit Moslems had been killed as Hindus.

areas that confidence in the law and order machinery of the state had been badly shaken, and that twice as many Mr Shrikant Bapat, the Bombay commissioner of police, was unwilling to accept claims that Moslems were deliberately targeted by his force. He says the violence that broke out in the predominantly Mosiem areas of Bhendi Bazaar, Kurla, Govandi

East West Airlines, the largest, which has challenged Indian Airlines on some of its busiest routes. keep guard in the slum's narrow ts, in the absence of help from the police. Passengers have reported dramatic improvements in service on routes Another factor that has contributed to the rift between Hindus and Mosre Indian Airlines has to compete lems is the shrinking of job opportunities in the Thane-Belapur-Pune belt, where 77 per cent of Maharashtra's Indian Airlines adds that East West

these areas.

industrial workforce is concentrated Official estimates reveal that the ployed youth in the region has grown by 250 per cent in the last decade, as the population continues to grow and industrial units have either closed (as in the case of several textile mills) or been relocated in other areas of the state where labour is cheaper. It is no coincidence that the Sena is

strongest here. Sociologists and political analysts say unemployment has contributed to the growing criminal-isation in the state. "It is always easy to blame a member from another community or an outsider for depriving you of a job," says Mr P Sainath, a Bombay-based newspaper editor. "The truth is, there are no jobs." --

industrial workers have borne the brunt of the riots in several parts of Bombay. "We have never seen Bombay going up in smoke like this, and I have lived here for over 50 years," says Harish Bhau, a floor manager in a textile mill.

ites Julian Ozall **Bush** is pressed on UK air deal

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By Nikki Talt in New York

THE heads of the three biggest US airlines have written to President George Bush, urging him to reject the proposed tie-up between British Airways and USAir. The letter was timed to arrive shead of the visit by Mr John Major, UK prime minister, to Wash-

ington this week.

The "big three" US airlines, fearful Mr Major will press for approval of the deal, urge Mr Bush "to resist 11th-hour promises that fall short of a fair and balanced transaction, and mortgage the future" of the US airline industry.

"To compete with British Airways, US airlines must be able to offer the same products as British Airways," they say. "To do that, they must have expanded authority to London and rights to fly within and beyond the UK to all points served by British Airways." The Bush Administration is

to decide on the deal before Christmas. President-elect Bill Clinton has hinted he will not approve it unless US carriers win extra access to the UK.

Franco launches war over medicines

By Christina Lamb In Rio de Janeiro

EVER since Brazil's President Itamar Franco found the cost of his mouth-ulcer cintment had gone up again, the price of medicines has been the most prominent issue of his governnent, and a symbol of his populist style.

Barely a day goes by without Mr Franco complaining about so-called "abusive price increases" by the pharmacentical industry, which claims to be simply keeping up with 25 per cent a month inflation.

Yesterday, Mr Franco formally declared war, announcing he would take legal action against all companies raising prices above inflation, and ordering the Inland Revenue to investigate their tax position. He also authorised a \$1.1bn donation to state- and army-

drugs at lower prices.
The drugs companies are the latest target in a long-running battle between successive Brazilian governments and oligopolies that characterise much of the country's industry.

owned laboratories to make

The fact that the main pharmaceutical companies are foreign has brought nationalist sentiment behind Mr Franco's Mr Pedro Motta Veiga, direc-tor of the Foreign Trade Foun-

dation, says: "If anyone was

thinking of investing in Brazil this would be very off-putting. Itamar goes after the drugs companies, Collor the car manufacturers. Who knows what the next president will target?"

Until October 1991, medicine prices were governmentcontrolled and kept so low that 13 foreign companies left Brazil and 34 national companies closed. After liberation, an accord was reached to allow companies to raise prices by monthly inflation plus a real 8 per cent increment to compen-sate for past losses.

The current row was sparked last month when the industry announced a 25 per cent price rise agreed in its monthly meeting with economy ministry officials, to compensate for October inflation of 26.5 per cent. After a furious Mr Franco suspended the accord, the companies agreed to cut the increase to 23.38 per cent and grant a 10 per cent discount on 76 medicines in frequent use.

This month, the industry

announced increases of 21-26 per cent, prompting an angry protest note from the Presi dency accusing the companies of "civil disobedience". Mr Jose Eduardo Bandeira

can't we do the same?" de Mello, vice-president of the Association of Pharmaceutical Manufacturers (Abifarma), says he had advised the health ministry of the increases, and



HAPPIER DAYS: President Franco meets by siness leaders, before his "medicines war" broke out

omy are readjusting prices according to inflation. Why

But according to figures released yesterday by the Department of Economic Defence, medicines have increased by an average 3,770.5

against inflation of 1,483 per cent. Some drugs have gone up by as much as 16,128 per cent. Abifarma retorts that since 1982 their prices have gone up 397,831 per cent, against inflation of 616,985.20 per cent. Businessmen fear Mr Fran-

prices may be the first step to reintroduction of price controls or a new price freeze, arguing that if he was really concerned about people's ability to afford medicines, he would cut sales tax, or offer medicine vouch-

ers, rather than give money to

Fundamental shift occurring in world pulp industry

A FUNDAMENTAL shift in the pulp industry is occurring between the northern and southern hemispheres. The southern hemisphere, mostly South America and Asia, will become the world's forest plantation and pulp factory, while the north will increasingly supply specialist papers, said Mr Erling Lorentzen, chairman of Aracruz Celulose, the largest South American pulp group.

The warning has serious implications for pulp and paper industries in Scandinavia and North America. Forestry represents 40 per cent of Finland's exports, 20 per cent of Sweden's and 15 per cent of Cana-

Mr Lorentzen, addressing the Financial Times pulp and paper conference in London said he doubted one company could embrace the skills needed for large-scale pulp production and manufacture and

marketing of paper. Paper production would be concentrated near customer markets, to keep costs low and satisfy clients' delivery needs.

disadvantage and would have to rationalise.

Those most threatened were high cost producers. Production costs per tonne for bleached hardwood kraft pulp were \$247 in Brazil, \$300 in Finland, \$365 in Sweden and \$370 in Canada.

The most important component was the cost of wood. Brazilian plantations were more productive than those in the northern hemisphere. Eucalyptus takes about seven years to harvest, against as much as 60 years for pine in Scandinavia

Substitution of eucalyptus for bleached northern kraft pulp is already occurring, the market research company Hawkins Wright, says. Eucalyptus has increased its market share by 800,000 tonnes between 1989 and last year bleached northern kraft pulp

lost nearly 1m tonnes. The recession and rising environmental demands would speed rationalisation, Mr Lorentzen warned.

Hawkins Wright says world demand for chemical market pulp rose 1.7 per cent between 1987 and 1992 from 26.1m But northern hemisphere tonnes to 27.8m. Capacity rose pulp manufacturers were at a 5.3 per cent from 26.7m to 32m.

orders a Peruvian army's anger rumbles on Frei tipped to be Chile's next president

Growing calls for amnesty echo its resentment, Sally Bowen reports

MONTH after the failed coup attempt against the govern-ment of President Alberto Fujimori, newly elected congressmen are calling for an amnesty for the military involved. As resentment within the armed forces at the treatment of their arrested colleagues spreads, and with the installation of the new congress just a fortnight away, Peru's new politicians say it is time for national reconciliation

Tension heightened at the weekend when the government took the unprecedented step of sending four leading generals, including the coup ringleader. retired Gen Jaime Salinas

Sedo, to Lima's infamous Castro high-security prison.

"This is criminal," said Mr Javier Valle Riestra, acting defence counsel for Gen Salinas since his previous lawyer, Mr Alberto Borea, was banned from acting for his client last week by the military judge trying the case. Mr Borea is one of a number of civilians allegedly implicated in the aborted coup attempt of November 13.

"The four generals, and nine or 10 other senior officers, are held like common delinquents in a prison for drug traffickers and terrorists," Mr Valle Riestra said. "The only purpose can be to intimidate any other officers who have the same constitutionalist leanings."

Gen Salinas has justified the November 13 coup attempt in reneated statements smuggled out of his previous army detention centre. He claims Mr Fujimori's April 5 overturning of the 1979 constitution gave the armed forces the right and indeed the duty to rebel. His arguments have got support from consitutionalists and politicians. Gen Salinas has consistently denied Mr Fujimori's allegations that the plotters intended to assassinate the president. Sources close to say the treatment meted out to the officers under arrest has

colleagues. Army wives have protested that the interrogation of their husbands included torture at the hands of the

national intelligence service. Although the top military backed Mr Fujimori's April moves to dissolve congress there have been rumblings of discontent in the middle ranks of all three services for some months. Low pay is a prime concern, as are recent modifications to internal promotion and retirement systems. Some officers at commander, major and captain level (who call themselves Comaca), have been circulating pamphlets accusing their superiors of "servility" to the government.

THE outcome of the Chilean presidential elections in December 1993 was effectively settled this week with the announcement that Senator Eduardo Frei would be the Christian Democrat candidate. Given the dominance of the Christian Democrats within the ruling centre-left coalition, and the sustained popularity of the present government. Mr

Frei is almost certain to become Chile's next president. Opinion polls out this week show Mr Frei way ahead of other presidential hopefuls. Almost 60 per cent of electors say they will vote for the can-didate of the ruling coalition. Although the 50-year-old sen-

ator is not a natural politician (he cuts a fairly dour and unexciting figure in public), he is blessed with the best political surname in Chile. His late father Eduardo Frei was a popular president who served two terms in the 1960s. Since Mr Frei's election as party leader last year, the Christian Democrat's professional political machine has been working on the former businessman to

transform him into presiden-

tial material.

Ironically, his stiffest challenge will come from within the ruling coalition rather than the right-wing opposition. Mr Ricardo Lagos, a Socialist academic, left the post of education minister earlier this year to mount his own presidential bid. In many respects, his Spanish-style brand of socialism is more radical and freemarket than the paternalism of the Christian Democrats, but few believe that he will risk splitting the ruling coalition by standing against Mr Frei.

Mr Lagos' strategy appears designed to give socialists the greatest possible say in formation of the next government. The biggest conservative party. Renovacion Nacional (National Renewal), has been embroiled in political infighting and a telephone tapping scandal that has all but destroyed its credibility with the electorate.

Most political observers believe the right will have to nominate a respected outsider to avoid too crushing a defeat in next year's elections.

Mr Carlos Caceres, a former

minister of the military regime who played an important role in the transition to democracy, is widely tipped as the probable candidate. The only uncertainty in Chile's predictable political horizon concerns the length of the next presidential

Under the present Constitution, he is in for eight years. President Patricio Aylwin has offered to negotiate a constitutional amendment to shorten his successor's tenure in exchange for changes to the electoral system, which beavily over-represents the right-wing opposition. Opposition parties are mulling which is the lesser of two evils: a weaker presence in the next parliament or having a Christian Democrat president until the year 2002.

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WHEN WAS THE LAST TIME YOU HIT AN ELK?



Sweden is a land populated by many elks that sometimes leave their forests and stray onto unprotec-

The adult elk is large, heavy and mostly dark. In winter, the Swedish . countryside is mostly dark as well. Which explains why surprised Swedish



drivers and elks often collide. Apart from elks, Sweden offers other unexpected road hazards like ice, snow and mud.

Fortunately, Swedish roads are populated with many Saab 9000s. (In four separate international car safety studies, Saab headed the lists.) Saabs

have crumple zones at both ends to absorb the energy of a collision should you unexpectedly make contact with a large, dark animal,

And airbags* and seat-belt tensioners should you be thrown forward. But if you take prompt avoiding action, the Saab 9000 has ABS** fitted as

*Saab 9000 Medel Year 93. Standard in certain countries ^kvalable as extra everywhere. 'Non standard on all Saub 900 models in DK, IS, SF, N. standard to prevent your wheels from locking when you swerve while braking heavily.

The elk might be left undamaged but bemused. And wondering why every intelligent human doesn't drive a Saab 9000.

SAAB. TRULY SWEDISH.



US gives big debt relief to Salvador

EL SALVADOR'S 12-year-old civil war was formally proclaimed at an end yesterday as the US announced it would forgive a large share of the country's debts, write Damian Fraser in Mexico City and George Graham in Washing-

Vice-President Dan Quayle announced the debt relief yesterday in El Salvador at the official celebration of national reconciliation, which followed the final demobilisation of the former rebel army on Monday.

The US will forgive a total of \$464m, representing 80 per cent of outstanding food credits and 70 per cent of development assistance credits. Interest on the rest will be payable in local currency for environmental or child-care programmes.

The forgiveness amounts to more than 20 per cent of total foreign debt of around \$2.2bn. and will save an estimated \$25m a year in debt service.

Under the terms of the January peace accord, the rebels, known by their Spanish initials FMLN, had agreed to demobilise by the end of October. This was extended to December 15 after disputes about land distribution and army reform.

From yesterday, the FMLN becomes a legal civilian political party, ready to compete in the 1994 presidential elections.

The Salvadorean Congress resolved on Monday final details of the peace accords, regarding changes to the elec-toral law, and judicial and political reform. • The US Treasury announced smaller debt forgiveness packages for Chile, Uruguay and Colombia.

Jamaica secures SDR109m credit

The International Monetary Fund has given Jamaica access to credits of SDR109.1m (\$153m) under an extended fund facility to be drawn down by December 1995, writes Canute James in Kingston.

The Jamaican central bank said the money would support the government's medium term economic programme, and that the policies agreed with the IMF would be presented to parliament soon.

Mr P.J.Patterson, prime minister, said recently he expected the extended fund facility to be the last credit agreement Jamaica would have with the IMF. The island's depleted foreign reserves would have been rebuilt by 1995.

Jamaica has had several IMF credit agreements since the mid-1970s, and owed the Fund \$337m at the end of last month.

Immigrants pour into Canada

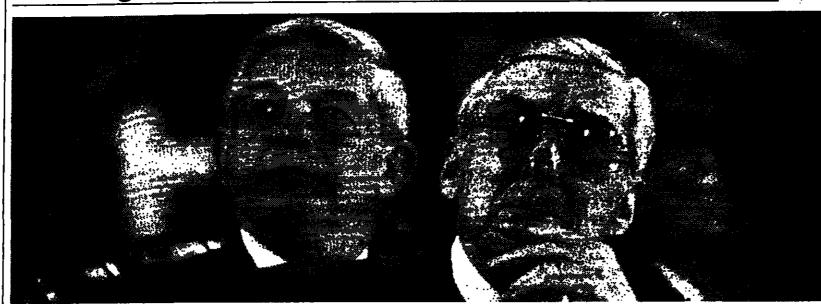
Almost 225,000 immigrants, the highest level since 1957, swelled Canada's total population to 27.2m last year. Robert Gibbens writes from Montreal. Statistics Canada said the rate of population increase was 1.5 per cent, the highest in the industrialised world. Europeans now represent only 25 per cent of total immigrants. Only 38,000 people left Canada during the year, the lowest figure in 30 years.

LA alert after riot area clash

Police went on alert across Los Angeles after rocks and bottles were thrown from a crowd in an area that was a flashpoint in the spring riots, AP reports from Los Angeles, At least 12 people were injured and 60

The disturbance was blamed by police on "organised groups" taking advantage of an earlier, peaceful protest.

NEWS IN BRIEF | Incoming US administration flies conservative fiscal colours



Clinton favours a strong dollar

By Michael Prowse in Little Rock

A STRONG dollar and a relatively conservative fiscal policy seem likely to form a central part of the Clinton administration's strategy for improving long-term economic

"I'm for a strong dollar," declared President-elect Bill Clinton during a debate about exchange rate policy at the economic conference in Little Rock, the capital of his state of Arkansas. Mr Clinton, however, added the proviso that the dollar could be strong in the long term only if supported by "the underlying competitive

Vodafone

group wins

Australian

AUSTRALIA has awarded an operator's licence for a mobile

telephone network to a group

owned by Vodafone of the UK.

The Vodasone group, called

Arena GSM, becomes the third

licence-holder for Australia, one of the fastest growing

Arena GSM is paying

A\$140m for the licence and

tenas to invest another

It beat off three other short-

listed companies: Singapore

Telecom and two local opera-

tors Matrix Telecommunica-

The new service is scheduled

to start by next October and must be available to 80 per

cent of the population by the end of 1996, according to the

The latter also requires Aus-

tralian interests to control

more than half of Arena GSM

by 2003. Vodafone sald it

would wait until the business

was profitable – at least three

years after the start of services

before reducing its 95 per

Arena GSM will be compet-

ing against existing licence-

holders. Optus Communica-

tions and the state-owned Aus-

tralian and Overseas Telecom-

Mr Bob Collins, Australia's

communications minister, said

that no more licences would be

The infrastructure for the

new network is likely to be

supplied either by Ericsson or

Sweden or Finland's Nokia. It

will be based on the GSM digi-

tal standard, the same as that

used in a pan-European mobile

Vodafone, which a decade

third mobile telecommunica-

tions licence. The result could

be made public before the end

of this month, said Vodafone.

Vodafone - see Lex

network now being built.

munications Corporation.

markets in the world.

A\$400m in the project.

tions and Voxson.

terms of the licence.

cent stake.

licence

By Daniel Green

Mr Lloyd Bentsen, the Treasury secretary designate, said he wanted the US to "reinvigorate" the Group of Seven club of leading industrial countries and help find ways of stimulating growth in Europe and Japan. But he signalled that the US would not have credibility abroad unless it put its fis-

cal house in order. Mr Clinton's remarks on the dollar were a response to Professor Rudi Dornbusch of the Massachusetts Institute of Technology, who urged a substantial devaluation of the dollar against Asian currencies over the next three years. Mr Dornbusch said financial markets were likely to anticipate a stronger dollar as the US econ-

By William Keeling in Jakarta

NEGOTIATIONS have stalled

between the Indonesian gov-

ernment and Mission Energy of

the US over a \$2bn power proj-

ect, jeopardising government

plans to attract private sector

investment into the national grid, industry officials say.

In May, the government

asked Mission Energy to form

a consortium to build, own and

operate two 600MW coal-pow-

ered units at Paiton in East

Java. It would be the first pri-

vate sector power plant linked

About \$30bn of investment in

By Robert Thomson in Tokyo

THE Mongolian government is

under increasing pressure to

repay an instalment on a Japa-

nese government-backed Y8bn

(£42m) loan for a steel mill

project that threatens to under-

mine its international credit

Should it fail to repay about

Yibn, due yesterday, Japan.

which takes a tough line on

non-repayment, is likely to

increase trade insurance costs

for dealing with Mongolia, now

taking tentative steps towards

Funds were provided two

developing new industries.

to the national grid.

omy recovered but that "we cannot afford that". Mr Dornbusch said a devaluation against Asian currencies was as necessary today as was the devaluation of the dollar against European currencies in the 1970s following the collapse

of the Bretton Woods exchange

Mr Clinton, however, seemed to lean towards the position of another speaker Mr Jeffrey Garten, a professor at Columbia University, who said a weak dollar was a "quick fix that doesn't work". Mr Garten pointed to the example of Germany and Japan as countries that remained competitive despite long-term currency

demand and the Paiton project is central to government plans

to raise a third of the total in

Industry officials say, how-

ever, that three rounds of nego-

tiations from August to

November between the govern-

ment and the Mission Energy consortium - which includes

Mitsui of Japan, General Elec-

tric of the US and Batu Hitam

Perkasa, an Indonesian coal

mining company - have

The government has with-

drawn a draft implementation

agreement upon which Mission

Energy made its original bid

the decade to keep pace with requires to raise offshore sary decisions to carry the

Mongolia's credit rating put

at risk over debt to Japanese

equipment through Itochu, the Japanese trading house, which

must repay the funds to the

bank and is waiting on Mongo-

are not yet worried", although

Mongolia is reported to be hav-

ing difficulty raising the hard-

currency. Reports suggest pay-ments have been delayed to

Russian workers on the site at

"We are in contact with our

Mongolian office and we will

not be uneasy unless there is a

delay for half a year or more.

Even though Mongolia has dif-

ficulties, they can afford to pay

Darkhan, in the north.

Itochu said last night "we

the private sector.

resulted in impasse.

Mr Bentsen seemed unimpressed by a call from Prof James Tobin, the Nobel laureate from Yale University, for a fiscal stimulus of \$60bn a year for the next two years. "T've become much more sympathetic to the executive arm of government recently," he said.

Mr Robert Rubin, nominated as head of the new White House National Economic Council, pointedly asked Prof Tobin what impact a big fiscal stimulus would have on business confidence and long-term bond yields. Most financial market analysts fear the impact would be negative on both counts.

Mr Leon Panetta, the budget director designate, said Con-

finance. That agreement covers items such as force majeure

risk, payment guarantees and

indicate that a "comfort letter"

of support but falling short of a

sovereign guarantee will be

provided. There are doubts whether this will satisfy pro-

Some industry officials

believe the project's problems

are more deep rooted. "Presi-

dent Suharto gave his commit-

ment to Paiton in 1990, but

other government officials

have been more reticent. No

official has either the authority

insurance with the Ministry of

International Trade and Indus-

try, which said that "there

should be no problem if the payment delay is not too long".

If Mongolia is unable to pay,

the Japanese government will

be put in an awkward position,

as it has taken a lead in encouraging the country's development since its emer-

gence from Moscow's political

help from Japan, which has

indicated that it will provide

\$50m in credits for a range of

projects including a coal mine,

Mongolia relies heavily on

Instead, government officials

dispute settlement rules.

spective financiers.

Indonesian power project stalls

gress "loves to pass the sugar but hates the vinegar". Any fiscal stimulus thus had to be tied into a long-term deficit reduction programme. Mr Clinton said reducing the

growth of health care costs was the key to long-term deficit reduction. This had to be a priority in the first six months. On regulatory and environ-mental policy, Mr Clinton said: "my strong preference is for market incentives over command and control." He added that he did not intend to "micro-manage" the economy, having been on the receiving end of oppressive federal regulations as a state governor. "I know what it is like to be gov-

project forward," said one.
Mission's bid technically

lapses on December 31 and the

company is reportedly keen to

raise its cost estimates follow-

ing reappraisal of the fuel effi-

ciency of its coal supply.

Any change in the bid, however, may cause further delays.

Presidential elections and a

cabinet reshuffle in March are

also likely to obstruct an early

are now unlikely to be con-

cluded until late next year,

conceded one government offi-

cial. This could disillusion

bankers and possibly lead to

from the project, officials say.

Hitachi and

GE link up

on lighting

GENERAL Electric of the US

and Hitachi, two of the world's

biggest electrical and indus-

trial combines, yesterday

announced a lighting equip-

ment joint-venture to be based

The two, which aiready

co-operate in manufacturing

heavy-duty power generation

equipment, are to set up Hitachi GE Lighting, headed

by a top GE executive in

It will provide GE with

access to Hitachi's extensive

Japanese network of distribu-

tors, while Hitachi will gain

access to the US group's

advanced lighting technology. The venture will be the princi-

pal route for sales of GE and

Hitachi lights for commercial,

industrial and automotive mar-

Japan, Mr Edward Neikeisel.

in Tokyo.

By Charles Leadbeater

Negotiations for the plant

resolution to the impass

of Sumitomo's operations in This year is busy enough. Japanese companies are importing to Vietnam everything from monosodium gluta-

food and textiles to Japan. Except in the oil industry, Japanese companies have so far been cautious about commiting themselves to investment in Vietnam, and Taiwan

Japanese businessmen, however, say they are considering investments in petrochemicals,

In a small way, the Japanese are already investing in manufacturing. Sumitomo, for example, is participating in a \$1mplus joint venture with Vietnamese and Malaysian partners to modernise a factory producing polypropylene sacks in the port of Halphong, while Marubeni and other Japanese investors are taking a share in a \$4m instant noodle factory.

The Japanese do not hide their enthusiasm for the skills and dedication - and low wages - of Vietnamese workers, and motor manufacturers are known to be interested in establishing plants in Vietnam to add to the small assembly operations already in existence

But it is not all plain sailing. Foreign companies in general, and Japanese companies in particular, face an array of obstacles when it comes to doing business in

 The Japanese government and Japanese companies are still anxious not to offend the US by undertaking high-profile projects in Vietnam. However, some businessmen regard this as an old-fashioned view now that Vietnam has withdrawn its troops from Cambodia and helped the US trace American servicemen who went missing in action during the Vietnam

Japan makes haste slowly in Vietnam

Victor Mallet tracks a cautious commitment ahead of the west

THE popular Vietnamese word for motorcycle is "honda": while the US agonises about restoring rela-tions with Hanoi, Japanese and other Asian companies are deepening their involvement in the Vietnamese economy as it emerges from decades of war and poverty.

American corporations will take heart from President George Bush's move on Monday to allow them to open offices and sign (but not execute) contracts in Vietnam, but the Japanese are several steps ahead. Not only are they fulfilling contracts and doing an increasing amount of business in Vletnam, they are already profiting from the renewal of Japanese aid.

Five weeks before Mr Bush's announcement, and three days after the US presidential election, Japan quietly arranged a loan package of Y45.5bn (£240m) to pay off some of Vietnam's debt arrears to Japan and to finance Vietnamese imports. Japanese project aid for the repair of roads, ports and other infrastructure is expected to follow.

Japanese trading companies are already working with Vietnamese officials and Japanese consultants and construction companies to prepare project proposals which could benefit from future Japanese aid.

"Now we are working for next year or the year after next," says Mr Shuichi Yamamoto, deputy general manager Vletnam.

mate and baby milk powder to chemicals and steel, and exporting crude oil, coal, sea-

and Hong Kong have emerged as the most active foreign investors.

power plants, property deve ment and manufacturing.

in the country.

Vietnam:

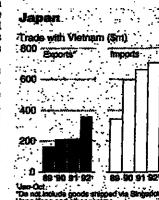
"Before, people were afraid of America, but now nobody's afraid," says Sumitomo's Mr of Mitsui disagrees. "We must still be very, very cautious," he says. Mr Tsuyoshi Tanaka of Itochu points out that the Japanese government itself is moving cautiously and has "only the one foot" in the Vietnamese door.

• Business for everyone is

restricted by the poor state of Vietnam's infrastructure. For example the south, where most industry is located, suffers from a severe shortage of electricity. Funds from the World Bank, the International Monetary Fund and the Asian Development Bank, currently blocked by Washington, are urgently needed.

itochu found that Vietnam ese white sand for export could compete with Australian sand on the price of the product alone, but transport costs were prohibitive because Vietnam's southern ports can only accommodate small ships and load-

ing equipment is poor. Japanese and other busi



nessmen frequently complain about inadequate commercial laws and the Vietnamese tendency to renege on contracts. "I have suffered so much, normally from non-delivery," says

Mr Yamamoto.

 Japanese companies find their business restricted by hundreds of millions of dollars of bad debts owed by Vietnamese importers. The debts date back to the period before late-

apanese companies seeking market share offered credit of up to two years letters of credit were not honoured; since 1990 letters of credit have generally been honoured, but most of the arrears and accumulated interest have yet to be paid off.

 Smuggling, often from Thailand or Singapore by way of Cambodia, undermines investment plans. Instead of building factories in Vietnam, Japanese companies make sure their wholesalers on the Thai-Cambodian border are well sup-

Add to these problems the lack of international schools and golf courses - about which Japanese expatriates in Ho Chi Minh City complain bitterly - and one might forgive the Japanese for throwing up their hands in despair and going home.

Needless to say, they are doing nothing of the sort. Working closely with the government in Tokyo, they are seeking to have the infrastructure repaired and the bad debts paid off so they can really get down to business.

Apart from American busissmen themselves, it is the Vietnamese who are the keenest to see the Americans return and rescue Vietnam from Japanese dominance. Some of them are almost alarmed by the dedication with which Japanese officials and businessmen are staking their claims in Vietnam.

"They take time because they are not in a hurry, because sooner or later they will be the first, the best, but maybe the most disliked," says

years ago by the Export-Import this money," the trading house infrastructure development Bank of Japan to buy steel and a textile plant.

By Damian Fraser in Mexico City

MEXICO'S ambassador to the US said yesterday he was "pro-foundly satisfied" by the Enforcement Agency.

celli said: "There can be no

Angeles judge ruled there was insufficient evidence against

resolve the problem that arose

in bilateral relations" and would push for kidnappings to be made illegal under the US-

Mexico hails doctor's release

release of Dr Humberto Alvarez Machain, accused of aiding the torture and murder of an agent of the US Drug doubt that it was one of the

Los Angeles that Dr Alvarez Machain had been put on a The doctor, who was

said the release "does not

will handle quality control and customer service. Hitachi will also he able to

kets in Japan. GE said the venture would problems contaminating our him, was kidnapped by agents working for the DEA in 1990 to relations with the US, which become a big importer of light stand trial. Mexico's foreign ministry we want to be respectful and bulbs into Japan via a specially designed import centre which mature.'

ago became one of the two original licensees for the UK's mobile telephone network, is also bidding for Germany's

rating.

Earlier, AP reported from flight to Mexico. Mr Gustavo Gustaco Petro- released on Monday after a Los

use the venture to export its lighting products via GE's

Round and round go the Uruguay trade reform negotiators



URUGUAY round negotia-tors are all dressed up and ready to go but someone has called off the party. They winged their way to

Geneva from all quarters of the globe earlier this month in the expectation of stitching up the final deals by Christmas. But the trade officials, meeting . in the multilateral round of talks under the General

Agreement on Tariffs and Trade, are wondering when the real end-game will begin. Hopes were raised high at the end of last month that the last lap had been entered when US and EC trade negotiators resolved a year-long clash over reform of farm trade. But it now seems clear that there will be no accord, even on a provisional basis, by the end of the year. However, negotiators have not given up hope that the wide-ranging talks, spanning 15 broad trade areas, 28 separate accords

and detailed country commitments to open markets for specific goods and services, will be completed before the US administration's negotiating authority from Congress expires next March
Since the US-EC settlement last month,

governments involved in the 108-nation round have had to make up their minds whether to push for changes to last December's draft "final act" which sets out the rules to govern world trade for the rest of the decade and beyond.

Many countries have problems with aspects of the text - but too much tinkering could upset the delicate balance in the package between different national and sectoral interests. Mr Arthur Dunkel,

ing a host of difficulties, to the annoyance of trading partners. The EC, exhausted from internal wranglings over its farm trade deal with Washington, does not much want to renegotiate anything beyond agriculture.

To add to the confusion, all sides are indulging in a certain amount of posturing to show the folks back home they are fighting their corner. But amid the fog, the state of play in the negotiations can be dimly discerned: • Agriculture: The main dispute con-

cerns plans to convert all farm import barriers into tariffs which would be reduced over time - "tariffication without exception". This is opposed by Japan and South Korea, which want to keep their rice import bans, and by Canada, Switzer-

director-general of the Gatt, has said the draft can only be changed by consensus. That has not inhibited the US from raiswinning their case - but they still hope to secure compensating concessions.

 Market access: These country-by-country negotiations, designed to cut overall tariffs by at least 30 per cent, have been delayed as negotiating teams have waited for the EC to present a draft list of new farm tariffs. Meanwhile Washington and Brussels

have still not settled arguments over industrial tariffs. The EC is holding out for reductions in very high US tariffs on tex-tiles, ceramics and dyestuffs, while the US is pressing for zero-for-zero deals on wood. and paper products, non-ferrous metals, electronics, fish and alcoholic drinks

imposing anti-dumping and countervailing duties on dumped imports that inflict mjury on domestic companies. Japan and other Asian exporters argue that indus-trial countries are using such duties to harass legitimate trade.

• Intellectual property: The US wants to strengthen protection granted to pharma-

centical patents in developing countries. India has already served notice that it would then press for faster liberalisation in the textiles sector while the US is being urged by its textiles lobby to push back the dispanting of the quota driven protectionism of the multi-fibre arrangement (MFA) from the proposed 10 to 15 years. O Services: The framework General sumption and which can be successfully Agreement on Trade in Services could be renegotiated. But the uncertainty makes it The US says it wants to re-open these eral negociations on reform of different making a final push for settlement or texts, which would tighten the rules for services section and specific market open packing for Christmas.

ing measures are going slowly.

The US and EC are pressing Japan and
Asian developing countries to go further in liberalising financial services, while they continue to battle between them-selves over EC restrictions on imports of such as films, videos and TV programmes • Multilateral trade organisation: The US has questioned the need for an MTO to ent the results of the round and give world trade rules the status of international law.

It remains tantalisingly unknown which of these problems are for real, which are being raised principally for domestic conphilost impossible for frustrated negotiators to decide whether they should be an guille

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. - .

A car unlike any that Britain has built before is now rolling off a production line in Derbyshire.

Besides creating 3,000 jobs, it's going to accelerate Britain's export drive and improve our balance of payments. Because it's going to spearhead Toyota's sales throughout the European market.

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With 16 valves, fuel injection and 106 bhp, it makes this car more powerful than any other in its class.

Yet, with the most advanced lean-burn technology, it's also the most frugal. At 56 mph, one gallon of unleaded will take you 57.6 miles.**

Fuel, however, is the only economy that's been made.

Power steering, an electric sunroof, an alarm and immobiliser, RDS

stereo sound system and side impact beams are standard on all XLi and GLi models.

Corners haven't been cut on space either.

On legroom, this car is in front of any of its rivals. In the boot, it's ahead again.

And because the build quality of the whole car means it will go on and on, the warranty does too. For three years or 60,000 miles.

The car, you may well have guessed, is the new Toyota Carina E. And you can be behind the

wheel from only £10,267.*

For full details, see your local Toyota dealer or call 0420 22607.† To build the car in front in Britain, Toyota has invested £840 million. With commitment like that, you could say that Britain has got it made.

THE CAR IN FRONT IS A TOYOTA

Farm minister

criticised over

Mr John Gummer, agriculture

minister, has been supported

by Downing Street after insist-

ing that there had been no impropriety in accepting

the grounds of his country house from one of the UK's largest food companies.

Labour MPs have tabled Commons questions seeking

further details of the landscaping of a pond paid for by Hills-down Holdings, as part of the

sponsorship of a mini-agricul-

tural show to coincide with a

lunch for EC agriculture min-

isters held in September.

Lawyers offer

Lawyers in England and Wales

have offered to accept a legal

aid pay freeze next year if the

government withdraws proposals outlined in the autumn eco-

nomic statement to cut eligibil-ity for the state-funded legal

The European Court of Justice

which seek verification of the

1950 Shops Act which outlaws most Sunday trading in

England and Wales. Six retail-

ers claim the act is illegal

under BC rules prohibiting

restrictions on cross-border

Ulster watchdog

An independent assessor of the

complaints against the military

has been appointed in Northern Ireland, the government announced yesterday. The

move follows pressure for

greater protection against the

possible abuse of human rights

perpetrated by troops in the

Sunday trade

ruling today

pay freeze

advice system.

garden help

Major cautious on increased UK involvement in Bosnia

THE BRITISH government's growing concern at the prospect of military entanglement in Bosnia emerged vesterday as Mr John Major reacted cautiously to calls for enforcement of the United Nations no-fly zone over the former Yugoslav republic. As the international momentum builds for much tougher action against Serbian forces, senior ministers are engaged in an intense

debate about the political and military risks facing the government. Some of Mr Major's colleagues notably Mr Douglas Hurd, the foreign secretary - are concerned that without further restraint Serbia will

become increasingly confident in its dismissal of international pressure. Mr Hurd's assessment is that the combination of sanctions and public condemnation so far has done little anything to curb the territorial ambitions of the Serbs. The result could be the spread of the present conflict in Bosnia to Macedonia and Kosovo. That in turn would spark a full-scale war in the Balkans.

His fears are shared by many ministerial colleagues. But there is a substantial voice in the cabinet arguing also that Britain cannot risk the lives of 2,400 British ground troops which would result from a decision by the UN to shoot down Serbian aircraft in the No-Fly zone. As one minister put it: "American planes can safely shoot risks down Serbian helicopters. They could not prevent the Serbs from retaliating against our ground forces". crisis in weekend talks in Washington with President George Bush –

The most cautious in the cabinet argue also that there is no political pressure on the government to risk the lives of British troops.

This cabinet tension was evident yesterday when Mr John Smith, leader of the Labour opposition, pressed Mr Major in the House of Commons to join the US and France in seeking a UN mandate to allow force to halt Serbian flights. Mr Major - who will discuss the was careful not to dismiss the possibility of a new UN resolution. His officials regard it as inevitable. But by emphasising the risks - both to the UN humanitarian effort and the lives of British troops - he underlined that Britain favours a steady

policy against Serbian aircraft. The prime minister will also suggest to President Bush other ways to

increase in pressure on Serbia rather than an immediate "shoot-to-kill"

put pressure on the Serbs. UK officials have been drawing up plans to intensify sanctions - possibly including the breaking of telecommunications links and the de-recognition of Serbian diplomats.

Some ministers believe that there is a strong moral case to break from traditional international practice and agree to arm the Bosnians, that of the Serbs.

Editorial Comment, Page 12

Nissan to raise UK production **by 50%**

By Kevin Done, Motor Industry Correspondent

NISSAN Motor, the Japanese carmaker, yesterday announced plans to raise out-put at its UK assembly plant

by 50 per cent next year. Plans for increased production at its £900m plant at Sunderland, north east England, follow a 43.5 per cent rise in output this year to 179,000 cars from 124,700 in 1991, according to Mr Ian Gib-

son, managing director of Nissan Motor Manufacturing UK. Of the 270,000 cars which Nissan expects to manufacture next year. 84 per cent of the output will be exported, he

Mr Gibson also said productivity at the Sunderland plant for the Primera model was now slightly ahead of Nissan's sister plant in Japan. Productivity for the Primera had been improved by 8 per cent this year with the hours per car reduced by one hour to

The Sunderland assembly plant will buy components worth around £850m in Europe next year, of which some 77 per cent would be purchased in the UK. The plant has 195 suppliers in Europe of which 126 are in Britain.

The announcement of increased output at Nissan coincided with plans by Rover, the motor manufacturer owned by British Aerospace, to introduce a second shift early next year at its assembly plant at Oxford, where it is aims to increase output in 1993 by around 50 per cent. Rover is expected to begin

volume production in February of a new large family saloon car, the Rover 600. The new range, which will

effectively replace the out-dated Montego launched in 1984, will be added to output of the existing Rover 800 executive car at the plant. The Rover 600 has been largely developed by Honda of

Japan, which owns a 20 per cent stake in the Rover vehicle operations. The Japanese car maker began production in October of the sister car, the Honda Accord. at its £370m Swindon car plant.

Sharp increase in producer prices fuels inflation fear

A SHARP RISE in the prices of raw materials used by UK industry last month has fuelled fears that inflationary pressures are building up in the UK economy.

Producer input prices rose a seasonally adjusted 2.4 per cent in November compared with October, the biggest monthly rise since October 1976. Compared with a year ago, the rise in input prices was 4.1 per

The increase in imported goods' prices was much higher than expected by the City and may explain why Mr Norman Lamont, chancellor of the exchequer, has been reluctant to cut bank base rates from their current 7 per cent level, in spite of demands for lower interest rates from members of the new panel of independent economists named last week to advise the Treasury.

Yesterday, a survey of the retail sector from the Confederation of British Industry showed that the rising cost of imported goods has yet to affect shop prices. In its last distributive trades

survey before Christmas, the

confusion

threatening the government's

plans to extend competitive

tendering in local government,

according to companies and

councils involved. The problem

concerns the status of employ-

ees' terms and conditions when

At least two local authorities

have had their tendering plans

thrown into disarray in the

last week alone by disputes

over the law on the transfer of

"undertakings" - agreements

Initial Cleaning Services, a

private contractor for local

authority work, said the uncer-

tainty could "destroy the gov-

ernment's competitive tender-

Mr Rodney Brooke, secretary

of the Labour run Association

of Metropolitan Authorities,

contracts change hands.

covering staff conditions.

ing programme".

By Andrew Adonis

A small 0.3 per cent rise in manufacturing output in Octo-ber was fuelled by buoyant growth in the chemicals and electrical engineering sectors.

The boost to the chemicals sector came mainly from strong export growth, while output was higher across the electrical engineering sector. This was the first rise in

manufacturing output since June, although production has maintained roughly the same level since the beginning of the year. The latest official figures confirm that overall, factory production remains flat. CBI said retail sales volumes

fell in November compared with the previous month, but that this masked a stronger performance by big retailers than by small retailers. Since September, when

Britain left the European exchange rate mechanism and sterling devalued, the annual rate of producer price inflation has risen to 4.1 per cent from

The figures from the Central Statistical Office yesterday showed that prices of raw materials and fuel rose at their highest rate since December

said: "Local councils are

between the devil and the deep

blue sea: if they seek to trans-

fer undertakings, they risk

government penalties, if they don't they risk being sued by

The Institute of Directors

wants the government not only

to clarify the existing position,

but to seek changes in the EC

directive on employees'

The government insists that

"as a general rule" regulations

The government believes

new employers do not inherit

the terms and conditions of

employees who used to do the

job for the local authority.

However, several local authori-

ties believe that new contracts

must respect former employ-

on undertakings do not apply to local authorities despite

recent court decisions.

their employees."

acquired rights.

Legal confusion threatens

competitive tendering plan

fell in almost every month this

The trend in prices for manufactured goods suggested that manufacturers have so far absorbed the higher prices of imported raw materials.

Producer output prices rose by a seasonally adjusted 3.3 per cent in the year to November, unchanged on the October fig-

Excluding the volatile prices of food, drink and tobacco the index rose by 2.4 per cent compared with the same month a year ago, the lowest annual rate of increase since April

Mr Robin Cook, the opposition Labour party's trade and industry spokesman, said the latest news on the economy contrasted with the more optimistic tone taken recently by government ministers, and Tory pre-election predictions of economic growth.

"They show just how far from recovery this country is. and just how far removed from reality this cabinet has

Currencies, Page 36 London stocks, Page 29

Retail sector performance



Per cent balances	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun.	. Juj	Aug	. Se p	Oct	Nov
Refail total .	. ė.	. 7	13	. 9	16	18	22	12:	18	-24	7	-18	-18
Proces	·· .67	43	46	· 30	.38	60	48	10	. 3	. 0	İ	. 19.	∵2
Specialist food	. 23	- 6	-38	52	· 16	-30	-15	-62	-54	65	. -5 0	28	24
Off licence	-26	-34	-59	∵ .0	12	-13	-8	10	-3	-88	~100	56.	:47
Hóthing	47	-9	56	54	-24	-2	21	. 8	-25	-27.	42	-8	-18
colwear and leather	15	-44	: 77	. 48	-93	. 4.	33	. 1.	-30	. 68	39	-49	111
Durable household goods	ે -5	-23	. 10	. 6	-26	26	-33	50	-10	-2	-11	-1	-10
umiture and carpets	· 15 .	56	-7	.÷53°	j., 4 _.	70	-33	2 _.	-43	33	48	12	15
iardware; china & DIY.	-20	13	. 7	6.	-22	-2	36	. -10 .	-28	-22	-62	11	•38
Confectionery	· 36	-15	-15	- 58	. 8	. 82	4	. 39	:26	57	37	4	: 0
Bookseilèrs & stationers	-32	-48	. 6	: 19	-27	28	-28.		8	-18,	1	-39	-53
ihemists	37	26	4	. 28	18	· 72	66	62	36		-28	58	. 79
Other retail	-24	. 24	38.	23		-44		30		-		-23	-44
Notor trades	-50	-47	-42	48	43	· 2-1	-8	-17	. :-44	15	-33	. 30	. 31

Bank chief counters criticism on lending

By John Gapper **Banking Correspondent**

THE chairman of Midland Bank, one of Britain's main clearers, yesterday warned Mr Norman Lamont, the chancellor of the exchequer, that "unfounded criticism" of banks over their small business lending could impair their ability to fund companies.

Sir Peter Walters told Mr

Lamont that the banks had the capacity to finance business expansion when an economic recovery started, but that criticism would damage their ability to do so.

It was the first formal meeting of a series planned this week between bank chairmen and Mr Lamont since the chancellor said he wanted to meet banks to ensure they were passing on the full amount of

which British Coal must nego-

tiate new long-term contracts

with the electricity industry to

replace those that are expiring.

that no pits would be closed irrevocably before the energy

review had been completed. "I

hope events will come together

in a way that will provide an

opportunity for debate."

MPs are worried that British

Coal will shut pits or refuse to

licence them to others for fear

Mr Heseltine assured MPs

base rate cuts in lending mar-

Midland said Sir Peter had told the chancellor that its margins on lending to 500,000 small business customers had narrowed over the past year, and were now below 3 per cent percentage points above base

The lending margins of 13 per cent of small business borrowers had narrowed by more

Coal plans due by February

than half a percentage point, while the margins of 12 per cent had increased by more than half a percentage point. The Bank of England, meanwhile, has completed its survey of banks' small business lend-

ing margins based on the eight largest banks, and has submitted the results to the Treasury. The result may be announced following Mr Lamont's meet-

would take into account avail-

The electricity industry was

free to sign new long-term con-

tracts in the meantime, he

said. He questioned whether

able markets for coal.

BA strike off

British Airways staff at Gatwick airport called off a strike previously employed by Dan-Air – who had faced a pay cut – had been offered compensation to change their rates of pay, or could remain on pres-ent terms and conditions if

Scots win loan

The European Investment Bank is to lend Strathclyde Region in Scotland £100m to improve roads, water supply and waste water treatment

FT readership

More industrial leaders read the Financial Times than any other newspaper according to Mori survey of chairman, managing directors and other main board directors of Britain's 500 largest compa-

The FT's regular readership among leading industrialists increased from 81 per cent to 92 per cent. The Times was second with 42 per cent.

New rules for transport funding

THE rules on allocating money for regional road and transport schemes will be changed, enabling local authorities to submit joint bids for big proiects. Mr John MacGregor, transport secretary, said yes-

The move follows an agreed approach in deciding transport priorities for next year from

seven local authorities in central England.

Mr MacGregor told MPs that he would begin consulting the local authorities about bringing in the new arrangements in time for spending bids in 1994-95. They are intended to allow some flexibility between the local grant allocated for capital spending on roads and that for public transport. The announcement came as

how the £1,047m for capital spending on local roads in 1993-94 would be spent. Some £473m is already earmarked for existing commitments, but 41 big new schemes will be started at a cost of £93m.

Mr MacGregor said that the settlement "clearly demonstrates the government's priority of maintaining strong capital investment".

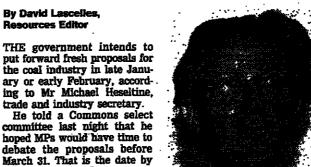
publish VAT trade guide HM CUSTOMS & Excise is shortly to issue details of sim-

Customs to

plified administrative arrange ments for businesses trading with other EC countries. writes Andrew Jack.

The guidance follows successful talks to reduce the redtape associated with "triangulation", in which goods or payments between a supplier in one EC country and a customer in another pass through an agent in a third.

Under initial EC plans, that agent would have had to be registered for VAT, account for tax and submit statistical documents in every country with which it did business. But BC finance ministers agreed this week to the wording of a sim-plification directive to reduce the burdens on business this would have imposed.



of creating competition for its own operations. Mr Heseltine agreed that there was a potential conflict of interest and said he might become involved in decisions in this area. But he warned that any steps to enlarge the coal industry

generators should be permitted to lock in profit margins while there were still questions over whether the full cost savings of cheaper coal were being passed through. These contracts would have to be capable of amendment after the white

paper, he said. Pressed by MPs for his views on possible options to save the coal industry, Mr Heseltine said that many of them would have knock-on effects in other sectors, such as gas. He was dismissive of a proposed energy commission because it could be manipulated by powerful interest groups. He also said he would be reluctant to oblige generators to hold larger

GREEK EXPORTS S.A.

INVITATION For expressions of interest in purchasing the assets of the Heating Equipme Industrial and Commercial S.A. (ABERETI I).

in line with the Government's denationalisation policy and on the basis of Law 2000/1991, HELLENIC EXPORTS S.A., a subsidiary of the HELLENIC INDUSTRIAL DEVELOPMENT BANK S.A. (ETRA S.A.) based in Albers at 17 Panepistimion Street, has been appointed liquidator by Decision No. 9338/26.11.1992 of the Athens Court of Appeals and intends to sell, by the procedure set out in article 46s of Law 1892/1990 as complemented by article 14 of Law 2000/91, the total assets of the HEATING EQUIPMENT INDUSTRIAL AND

COMMERCIAL S.A. (ABETETH), based in Rizoupolis, Attica.

ABSTRY was established by ETBA S.A. in 1988, ETBA S.A. is its sole shareholder. The object of ABSTRY was to take over the activities of THERMIS. S.A. which is under liquidation and is owned \$8.156% by ETBA and 11.844% by private individuals. ABEPETH is engaged in producing and selling cast iron boilers and stact heating radiators and selling heating and air conditioning equipment. Its products are sold under the recognised trade mark "THERMIS" which ABEPETH is entitled to use. Its installations are on a rented space of 11.000 sq. moures at Rivertrality Assess.

FINANCIAL DATA (in thousand drachma 1991 (from 15.9.89 to 31.12.89) 551.453 630,064

1,211,813 866.318 Note: The above financial data have been taken from published Balance
DENATIONALISATION PROCEDURE Within twenty (20) days of publication of the present invitation,

buyers must submit a non-binding written expresssion of interest. Prospective buyers, after having promised in writing to maintain confidentials can receive the Offering Mer

concerning the business for sale.

III. The announcement of a public auction for the highest bid will be published. within the prescribed time limits and in the same newspapers. a) The Head Office of ETBA S.A. (Shareholding: Dept.), 87 Syngrou Ave., 200

Floor, Tel: 30-1-929-4395-6.

b) GREEK EXPORTS S.A. 17 Panopistimion St. (1st Floor), Tel: 30-1-324-3111

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_10,45 %

* Source Micropal

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as at 30 november 1992

For further information contact: Patrick A-DORIMEUIL (33-1) 42 79 56 59.

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144% Guaranteed Fixed/Floating Rate Notes 1996. For the six months from 16th December 1992 to

15th June 1993 inclusive the Notes will carry an interest rate of 5 1/4% per annum. The relevant interest payment date will be

16th June 1993. Coupon 11 will be for US\$26.54.

Agent Bank Barclays Bank PLC Barclays Global Securities Services Stock Exchange Services Department 168 Fenchurch Street London EC3P 3HP

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product first made by Iceland's early Viking inhabitants and bot-tied water from glaciers are just two elements of an ambitious effort by Icelandic companies and government to exploit the country's status as one of world's most pollution-free environments.

The strategy stems in large part from a sharp fall in recent years of the cod catch - the mainstay of iceland's post-war economy - and the subsequent pressure on the government to develop alternative export industries.

Efforts at export diversification have also emerged from private-sector companies frustrated at the small size of Iceland's domestic market

New ideas range from massive power generation schemes to natural food products and health spas. The common thread is that all capitalise on Iceland's enviable environmental credentials and all are aimed at the growing international demand for products and services that are "pure" or non-polluting.

Government efforts have concentrated on promoting Iceland's potential for generating large amounts of cheap electricity through clean and

renewable means.
Only 10 per cent of Iceland's economically viable hydroelectric and geothermal potential has been tapped, according to Landsvirkjun, the national power company. It estimates that the average cost of power from future hydro development for mainly industrial users would be lower in Iceland than elsewhere, including large projects such as Itaipu in Brazil and James Bay in

The government's priority is to lure energy-intensive industrial users, such as aluminium smelters and other metal industries. It emphasises, however, that any developments would have to adhere to strict environmental standards, the costs of which it believes will be

THE FINANCE director, specially

clad for the occasion in skl jacket.

jeans and trainers, explained man-

agement-employee relations at his

factory. People work when and if they want to - including the chil-

The Kayapo Indians of A-Ukre

village, deep in the Amazonian

rainforest - all 238 of them - are

founding members of the A-Ukre

Trading Company, which harvests

Brazil nuts to produce oil for

The company was set up in 1990

Purity in a cold climate

Icelandic companies are trying to capitalise on a pollution-free environment, writes Robert Corzine



ectric and geothermal energy has been tapped

Landsvirkjun officials believe Iceland could also be a competitive ropean site for the production of non-polluting hydrogen fuel for vehicles, another energy-intensive

Research has also been conducted into the direct export of electricity to mainland Europe. A detailed study of the likely performance of a proposed 500MW. 950km-long direct current submarine cable to Scotland will be completed by the end of

Landsvirkjun officials believe most technical obstacles can be overcome, and that power from such a cable would be competitive in the UK electricity market, even

and last year exported its first production run of 1,500 kilos of virgin

cold-pressed oil. This year, about 5,500 kilos are expected. The Body

Shop has contracted to buy what-

Bephoti, finance director and

against relatively low-cost natural gas-fired plants. The possible impoto nuclear power. sition by the European Community of a carbon tax amounting to \$10

per barrel of oil equivalent would further enhance the competitiveness of the project, the officials say. They concede, however, that the unusual depth (up to 1,000 metres) and length of the £1bn submarine production. cable, its high initial capital cost and the long lead-time needed to build additional dams, power plants

increase the risk profile of the proj-But the officials believe their greatest advantage lies in growing public opinion in western Europe favouring electricity that is generated without adding to greenhouse

Business in the rainforest

A-Ukre warrior. "They like it

because Brazil nut oil production

does not destroy the forest or ruin

the rivers. When our children are

and the cable itself considerably

gases, but without having to resort

Iceland is also hoping to sell its extensive experience in using geothermal energy, which accounts for a third of the country's total energy consumption and provides most of its space heating and hot water needs as well as some electricity

Marketing efforts have been directed mainly at eastern Europe, with particular emphasis on Rus-sia's Kamchatka Peninsula, which icelandic officials say has tremendous geothermal potential. Private-sector attempts to capital-

ise on Iceland's environmental reputation are more modest but are generally closer to fruition. The food and drink industry has

trips. Village settlement has intro-

duced previously unknown health

Bephoti was in London recently

with Ropkran, another Kayapo Indian from Pukanu village. He is

production director of the Pukanu Trading Company, which is plan-ning to produce Brazil nut oil and

problems to the Kayapo.

been a market leader in exploiting the "cold, clean and pure international image of Iceland," according to Porarinn E. Sveninsson, the director of the Akva spring water company based in the northern

town of Akureyri.

It has recently begun selling bottled water in selected northeastern states of the US, even though the competition from domestic and European producers is fierce.

Sol, a Reykjavik-based food and drink producer, also sells bottled water in the US and Europe. But in addition it has succeeded in entering the market for "New Age" soft drinks, which eschew the use of chemical preservatives and which place a premium on pure ingredients, especially water.

David Thornsteinsson, Sol's chairman, cites the success of the Icelandic-canned Seltzer brand of fruit-flavoured drinks in the UK. Sales of the drinks rose from \$900,000 in 1990 to an estimated \$2.9m (£1.90m) this year, confirmation, Thornsteinsson says, that consumers are willing to pay a premium for assured purity of

He rejects suggestions that competitors could emulate Seltzer's success by shipping Iceland's glacial water in bulk to bottling plants elsewhere. "The tanks and the need to process it at the other end would alter the taste too much", he says.
"Besides, Iceland enjoys inexpensive back haul freight rates to the US and Europe, so the cost of ship-ping the finished product is mini-

Icelanders believe there could also be potential to emphasise the natural qualities of more traditional food products, such as the country's distinctively-flavoured free range lamb. Those raised along the coasts have a diet consisting mainly of moss and seaweed, while those reared in mountain pastures eat mainly herbs.

A study on establishing a big health centre in Reykjavik is under way, according to Markus Om Antonsson, the city's mayor, who believes the absence of air and water pollution will appeal to Euroand especially German tour-

The warriors' five-day trip was to raise funds for development schemes - in association with the Body Shop - to help their commu-

nities become self-sufficient.

Companies in the UK are being asked to invest — either financially or by donating relevant products in a dental project, health care and education schemes, and in rain-forest research. The businessmen were also working on a video project to record their culture.

Hilary de Boerr

Chilean dam to win funding

By Nancy Dunne

pvironmentalists in the US and Chile are mounting a rearguard action against a proposed \$3bn (£1.9bn) hydroelectric project which they say will spoil the rugged beauty of Chile's Bio-Bio river and threaten the culture of the Pehuenche Indians.

in the centre of the controversy is the International Finance Corporation, the private-sector arm of the World Bank, which tomorrow is expected to approve funding for the \$500m Pangue Project. This is the first dam in a proposed series of six, and the largest, most con-troversial hydroelectric project to receive LFC financing.

Because other privatised energy companies will be seeking funds, FC's handling of Pangue is likely to set environmental standards for projects to follow. Strongly aware of public concern, the IFC took seriously the need to work with the opposition.

Chile's environmental record is enough to give any investor pause. While pushing ahead with economic growth under the Pino-chet government, Chile also

despoiled its resources. Santiago Is second only to Mexico City in air pollution according to the Natural Resources Defence Council, co-or-dinating opposition to the project in Washington. "Copper smelting operations in northern Chile have produced dangerous blood levels of arsenic among local popula-

"Commercial logging of Southern Chile's native forests is rapidly eliminating some of the world's oldest temperate rain forest ecosystems. Overfishing has left all of Chile's important commercial fisheries in critical condition," says the NRDC.

Now a democracy, Chile has a fledging environmental movement which looks with suspicion at plans to develop the river. Three suits have been filed in Chilcan courts to stop the project.

ENDESA, the privatised electric company, planned the Bio-Bio development with no analysis of energy alternatives, and little public discussion or consultation with the Pehuenche. However, it needs foreign capital to complete even the first dam.

After complaints from the NRDC and Grupo de Acción por el Bio-Bio, the IFC required a comprehensive environment assess ment and an independent study of energy alternatives. It hired an independent consultant to evaluate the environmental assessment and, overcame ENDESA resistance to making the public.

Pangue, due to be completed in 1997, is not a large dam by World Bank standards. It will create a reservoir 14km long, flooding an area of 400 hectares. Only 53 peonie will have to be relocated. The most immediate impact will be on white water rafters and kayakers.

Environmentalists say the forests around the dam could become susceptible to logging, threatening an ecosystem which supports many rare and endangered species. These include the Araucaria trees, which produce pine nuts gathered by the Pehuenche; the Andean condors, pumas, and the tiny pudu deer. Operation of the dam will change the river's chemistry, endangering fisheries.

ENDESA has promised numer-ous measures to mitigate the impact of the Pangue construction. It has also agreed to the Pan-gue Foundation, funded through an annual grant of \$140,000 or 0.3 per cent of the project's net income, to help the Pehuenche communities.

None of this has satisfied the Pangue opposition, which criti-cises the dearth of public debate in Chile over the project. Glen Prickett of the NRDC believes an energy conservation programme could satisfy the short to mediumterm demand for new electricity in Chile, giving time for new developments in solar and biomass

technologies.
However, Monenco, the Canadian consulting company hired to assess energy alternatives, con-cluded that the Pangue project represented the best option for supplying near-term energy needs.
The dam will be almost impossi-

ble to stop; construction is already under way. However, the IFC has made no commitment on the next five dams. It has also got ENDESA to agree to study the cumulative impact of the other dams on the Bio-Bio and its people before further development.

our age they will still be able to make and sell oil," he says. ever is produced, for use in hair After wages, the income goes into The factory is run as a co-operaa community fund to pay for medical treatment, fishing hooks, hunt-ing ammunition, and maintenance and fuel costs for fishing boats and tive - everyone earns the same rate and everyone pitches in, says

PEOPLE

'Managed career' leads to Pru

The Prodential has recruited Symon Elliott, director of consumer banking in Britain at Allied Irish Bank, as its new managing director of Prudential Investment Products (PIP), to replace Alan Wren who left

in September. Keith Bedell-Pearce, chief executive of the Pru's financial services group, explains that Wren's departure was prompted by a "cleaning up" of responsibilities within this

Hence, whereas Wren had previously been in charge of production, marketing and distribution, responsibilities on the distribution side whether through direct sales or via intermediaries - had been passed to the managing directors in charge of the speThis leaves the managing director of PIP in charge of production, strategic marketing and customer service for unit trusts, PEPs, and currency funds.

Bedell-Pearce says that the current climate afforded him a wide range of candidates in the course of his search, both "seasoned campaigners from the unit trust and PEP business' as well as those from outside who measured up to his "per-son specification". Elliott, 35, who has an MBA from the London Business School, fell into the latter category.

The financial services chief

says he was attracted by an individual who had "consciously managed his career". After a spell in corporate planning at BP, Elliott was sales and marketing director at TSB

Hogg Group, the insurance broker, has announced a reor-ganisation of its senior man-

agement which sees James

Vaughn, stepping down from

his position as executive chair-

man. Vaughn, new 65, will

remain on the board, becom-ing a non-executive joint dep-

uty chairman and a member of

a newly formed executive com-mittee. Anthony Howland

executive, takes over from

Vaughn as executive chair-

man. Vaughn, an American

who joined Hogg in 1983, says

he intends to spend less time

on day-to-day company mat-ters. On the other hand he

remains chairman of Hogg's

North American subsidiary

Direct, and most recently director of consumer banking in Britain for Allied Irish Bank. "At both TSB and Allied Irish, he had responsibility for delivering sales through distribution channels over which he had no direct control. It will be an identical situation at the Pru where you have to use persuasion rather than direct management control."

A contributory factor to Wren's departure was Bedell Pearce's decision to put expansion into continental Europe "on hold" until the economic climate changed. Bedell-Pearce says that the decision, reached in April, has been vindicated given the current gloomy prospects for Germany, the country in which the Pru would have wanted to initiate its push into Europe.

■ The ITV Network Centre. which will have more than £500m a year available to com-

mission programmes for ITV, has appointed Vernon Lawrence as controller of network drama and entertainment. Lawrence, the current con-troller of entertainment at Yorkshire where he commissioned some of ITV's biggest successes such as Darling Buds Jackson, 51, currently chief of May, is the latest to join the new commissioning team. Last week Stuart Prebble of Granada Television ioined as controller of factual programmes. The appointment of Lawrence, 52, of both drama and entertainment brings together two important roles in ITV. He will have two deputies: one and hopes to spend at least responsible for drama and the half of each year in New York.



Wellcome, the UK drugs group, has acknowledged the move towards more collaborative ventures in the pharmaceuticals industry with the creation of a new post of director of

group licensing.

The new incumbent is Mark Weedon (above), formerly president of Wellcome's Canadian subsidiary. John Robb, chief executive, says an indication of the job's importance is that Weedon will report directly to

The decision to create the post – taken unanimously by Wellcome's top 50 managers -was to help fill critical gaps in the group's product and geo-graphical spread. "Not all sides have been covered. We need to look at more co-development agreements, particularly in Japan where partners can help us push drugs through the reg-ulatory process," says Robb. He says Wellcome's presence in Japan is too narrowly based with only two products. Yet Japan remains the world's sec-

ond largest market.
The job will also entail completing the group's portfolio by licensing in drugs, as well as licensing out those drugs that do not fit the core portfolio.

CONTRACTS & TENDERS

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2 - Financial Position, during past 5 years 3 - Previous experience & Scope of Activity

4 - List of similar projects & the stages of work in color photos.

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BANK LEUMI (UK) Pic Principal Paying Agent bank leumi אוני 📵

LEGAL NOTICE

IN THE MATTER OF L. A. TYER & COMPANY LIMITED AND IN THE MATTER OF THE INSOLVENCY ACT 1988 THE PROCUPENCY ACT 1988
In accordance with Pulse 4.105 of The Insolvency Rules 1986 notion is heatily given that I, J. B. Sisphenson, a Licensed Insolvency Practitionar of Lattern Crossiny & Davis, 7 Kennick Place, Longon WHI SFF, was appointed Liquidation of the above Company by the Creditors on 11th December 1982.

J. B. Siephenson, Liquidator

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VOGUE POUBLE GLAZING LIMITED

AND

IN THE MATTER OF

THE INSOLVENCY ACT 1986

NOTICE IS IEBERY GVENN that the Creditors
of the shows memod Company, which is being
wohntedly wound up, me sequenced, or or before
the 10th day of February 1993 to send in their
full cheirism and attenues, their addresses and
descriptions, full particulars of their delate or
claims, and the interes and addresses of their
solicitors (if may) to the undersigned SURJIT

KUMAR SINGLA, F.C.A., of SINGLA &
COMPANY, Chetwed Accountaint, 49 Queen
Victoria Street, London, EC4N 45A, the
Liquidator of the said Company, and if so
required by notion in writing from the said
Liquidator, see personally no by their solicitors, to
come in and prove their delets or dalms at such
time and place as shall be specified in such
solice, or in default thereof they will accleded
from the benefit of my distribution made before
such delta me proved.

DATED the 18th day of December 1992

much dictor are proved.

DATED this 10th day of Documber 1992

S E SINGLA, Director

NOTICE TO CREDITORS TO SUBMIT CLAM.

A THE MATTER OF

L. A. THER & COMPANY LTD

AND IN THE MATTER OF THE INSOLVENCY ACT 1988

NOTICE IS HEREBY GIVEN that the Cardinars
of the above-trained Company, which is being
voluntarily wound up. one required, on or below
10th March 1953, to send in their hall forerames
and surmarie, from addresses and descriptions, full
porticutars of their dolls or claims and the reames
and addresses of their Solicitors of enyl, to the
undersignor.

and addresses of their Solicitors (if any), to the undersigned J. B. Slephenson J. B. Slephenson Crossoy & Davis, 7 Kantick, Piaco, Landon Witt 3FF for Laudane of the said Company, and, if so required by natice in writing from the said Liquidator, are, personally or by their Solicitors, to conte in and prove them debts or claims at such time and place as shall be specified in such notice; or in default thereof they will be excluded from the benealt of any distribution made before such debts are proved.

Notice of appointment of
Administrative Receiver
Rockinghams Garden &
Lebure Centrus Limited
Registered number 1889872, Fremer company
name: Trading numer.Rockinghams Garden &
Lebure Centrus Limited. Names of business;
Garden Centrus Limited. Names of business;
Garden Centrus Limited. appointment of administrative recuiver(s); 4 December 1992. Name of peason appointing the administrative recuber(s): National Westminster Bank PLC NJ Vooght and CJ Hughen, Administrativo Rocelver/Joint Administrative Receivers (effice bolder no(s) 6339 and 2041) Address Melrose House, 42 Dingwall Read, Croydon, Sourcy CRO 2NE.

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Tenderers are invited to submit their bids for any number of the twelve areas, based on the invitation to Tender, Form of Tender and Licences which may be obtained from the Crown Estate Commissioners, Marine Estates, Crown Estate Office, 16 Carbon House Terrace, London, SW1Y 5AH (Telephone: 071 210 4314). Please quote reference F. Tenders must be received by Friday 12 February 1993.

The Crown Estate Commissioners do not bind themselves to accept the

highest or any other tender.

LEGAL NOTICES

Advantagement of carditor's maching under Section 48(2) insolvency Act 1986 Company No 210157 Registered in England and Wales E Bishop Developments Limited

E histop Developments Limited
Notice is humby given pursuent to Section 48(2)
Insolvency act 1986, that a meeting of the
unsecuned creditors of the above-named congrue
will be hold at the offices of: Cork Cally,
Orchard House, PO Box No 262, 10 Albien Ortemna 100stg. PU BON NO 2022, 10 Albient Place, Maldatione, Kenn Milji 4 507, on 22 December 1992 at 10,30 am for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under Section 48 of the said Act. The sneeting may, if it thinks fix, establish a companions to exercise the functions conferred on crecisors' committees by or under the Act.

conferred on creditors' committees by or under the Act, Condition are only emitted to use if: (a) They have delivered to us at the address shown above, to later than twos or 21 Doughber 1992, writing densits of the debts they claim to be due to them from the company and the claim has been duly admitted under the provisions of Rule 3.11 knot/ency Rules 1986; and (b) There has been lodged with an any proxy which the creditor intends to be used on his or her behalf.

her behalf, Please note that the original proxy signed by or on behalf of the certificate rount be included at the address notesticated; phetocopies (including fasted copies) are not acceptable.

Signed: N J Vooght, Joint Administrative Dated: 7 Documber 1992

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conditions which will be provided upon request from Olympic Airways / Technical Operations Department Mr E Kakoulidis Manager Materials Management Division on weekdays during

working hours. Tel: 9362225, Fax: 9812347, TLX: 210619 OAUT GR,

SITA ATHPZOA

Recorders for the past three years, Day has been brought across to strengthen the management team at Racal Radio. He will be focusing on developing the group's military communications business. David Poole (above) has been appointed md of Racal Recorders Group. Martin Lea, formerly sales and marketing director of Racal-Datacom, succeeds Poole as md.

Adrian Day (top) has been

of Racal Radio, part of the

Managing director of Racal

.

Racal Electronics Group.

appointed managing director

Gold quits Scottish Enterprise Lex Gold, one of two joint managing directors of Scottish Enterprise, the official development body for southern Scotland, is to retire from the organisation in March at the

age of 52, Scottish Enterprise said yesterday. His departure will mean that the posts of both managing directors are becoming vacant. On November 28, John Condliffe, Gold's fellow managing director, died suddenly at the

age of 46. The vacancies could lead to a reorganisation of the management structure of Scottish Enterprise, which began oper-

ating in April 1991.

7

managing directors, with Gold responsible for corporate services and Condliffe handling strategy and the operations of the 13 local enterprise companies in the Scottish Enterprise network, was put in place before Crawford Beveridge, the ceo, took up his appointment

early last year. Earlier this year it was learnt that Beveridge wanted to simplify the structure but no change was made. Two further changes are in

the pipeline. First, dozens of

jobs at Scottish Enterprise's

Glasgow headquarters are

likely to go in the next few

months because of cuts in the

The system of having joint organisation's budget.

Secondly, Sir David Nickson, chairman of Scottish Enterprise, hands over next month to Professor Donald MacKay, an economic consultant and one of Scotland's leading econ-Gold has been a key figure in

shaping Scottish Enterprise, formed through a merger of the Scottish Development Agency and the Training Agency in Scotland, of which he had been Scottish director. He says he is looking forward to "new and fresh challenges" after 33 years in public service, but although he has received invitations to consider possible posts, nothing has been fixed

December 1952 will be treet, per annum. The Interest amounting in US \$139.03 per US \$5,000 and to US \$278.06 per US \$30.000 principal amount of the Wotte will be paid on 16th June 1993 against presentation of Coupon No. 10.

ussolini may have made the Italian railways run on time, at least in his day. But not even a dictator was able to make the network adhere to financial targets.

Modern management efforts, however, are helping to transform FS, the Italian state railways which have the dubious distinction of being western Europe's most inefficient and overmanned rail network. Under the management of Lorenzo Necci FS is being given a radical face lift, slimmed down and partially privatised. Endowed with its first business plan worthy of the name, it is due to become a publicly-quoted company at the end of this month.

The FS, with the treasury as sole shareholder, will act as a holding company for a network of subsidiaries – including some with private capital – covering every activity from property development, through to freight, high-speed

trains and computer software.

When Necci was brought in as special administrator of the FS in June 1990, the railways had been through a series of disastrous man-

agement experiences.

It took him until last May to present a business plan and he did so on a take it or leave it basis. He wanted things done his way. In the event, he had little difficulty in gaining support for a new mandate.

"The basic problem in the FS has been one of management" says

Necci, whose main experience has been in the state sector - working with ENI, the national oil concern,

"IT WAS a shambles. We were

technically insolvent and our backs

were up against the wall," recalls

Rhiannon Chapman, director of

Eighteen months ago, the independent advisory and training

organisation committed to develop-

ing workplace skills and spreading

the gospel of good management,

was fighting for survival. A proud,

73-year history was insufficient to

After decades of spirited cam-

paigning to impart best business

practice to thousands of private

and public sector customers, the

society badly needed a dose of its

By 1990, the organisation had

recorded an annual deficit of £1.4m

and another loss was to follow in

1991. Poor financial management

meant it was owed about £1m by

customers: unused to being chased

they were painfully slow to pay up.

companies reach when the banks

are tempted to pull the rug. We had

a very sick balance sheet, with no

cash and no reserves.

We were at that point which

guarantee any kind of future.

own medicine.

Britain's Industrial Society.

Robert Graham reports on radical changes to Italy's

inefficient and overmanned state system

Rail network runs along new lines

and latterly running their chemicals side. He believes in management by objectives and leadership from the top.

He inherited a railway in which only 5,000km of the 16,000km of track was considered economic (essentially the north-south Milan-Naples route). Productivity on the basis of units of traffic per employee was 70 per cent less than the French railways and a third less than that of Germany. Passenger tariffs were, and remain, one-third of those in other EC countries. Not surprisingly the FS last year had an operating loss of L9,429bn (£4.48bn).

One of his priorities was to tackle overmanning. Since June 1990, the number of jobs has dropped by about 20 per cent from 208,000 to 165,000. This is the most concentrated reduction in manpower ever carried out by an Italian state entity and has been done with remarkably little protest from a traditionally powerful sector of the labour move-

ment. A further 40,000 jobs could go
in the next seven years.

The secret has been a generous

tus as a mere operator-administrator of a loss-making public service, respon-

system of early retirement, funded largely by the state but with FS contributing L700bn a year.

Necci has recruited 60 new man-

agers. With these he has transformed the old pyramidical FS management structure, based on departments with limited responsibility, by creating nine divisions.

hese group homogenous activities such as passenger traffic, freight and asset management, and give management operational responsibility for running their own profit centres and investment programmes. The central board under Necci concentrates on co-ordination, strategic planning and relations with the government.

The philosophy behind the new FS management is twofold. First, it must shift FS from its previous stator of a loss-making public service to a profit-conscious service, responsive to the public and industry. Second, it must tailor its activities to the financial constraints of the treasury and the possibilities of attracting private capital.

In theory the state will only intervene in a regulatory way and in the form of a regularly-reviewed agreement stipulating those investments deemed entrepreneurial and those considered socially necessary (like the maintenance of uneconomic track).

It remains to be seen whether FS can find sufficient resources both for capital needs and to cover its share of projected losses without resort to its new shareholder, the treasury.

The hardest conundrum to resolve is that of raising the currently-frozen freight tariffs and fares. Necci has to accommodate both government anti-inflation pol-



Milan's central station: gateway to one of the lew profitable parts of Italy's railway network which is undergoing big changes

icy and attract new custom while bringing prices into line with the rest of Europe. This could mean premiums on the most popular routes, already signalled by the effective separation of the "economic" 5,000 km of track from the rest. Some routes will be closed if they attract less than 30 passengers a day, although the bulk of the uneconomic track is expected to be run on behalf of the regions.

Private sector involvement centres on three areas - the proposed

high-speed train network, property development and information technology. The most important of these is TAV, which will develop the high-speed train network owned 60 per cent by FS and 40 per cent by Italian and foreign institutional investors. Current estimates for a Milan-Naples north-south link and Venice-Turin east-west axis are about L25,000bn. Another proposed link is Turin-Lyon.

The FS hopes to raise funds not only in the market but through property divestment and development, the latter with private sector partners. A new FS company, Metropolis, will develop stations, track and FS's property holdings.

Given the huge projected costs for high-speed trains, Necci runs the risk of finding this project sucking the bulk of funds at the expense of maintenance and modernisation of the rest of the railways. The difficulty of finding funds also suggests the high-speed train project will move slower than anticipated.

Training supremos learn a profitable lesson

Michael Cassell looks at how Britain's Industrial Society has come back from the brink



Rhiannon Chapman: quiet revolution

"It would have been pretty
embarrassing to have been brought

in to preside over the death of the

organisation", Chapman adds.
The financial crisis which
remained largely hidden behind the
Regency facade of the organisation's Carlton House Terrace headquarters in London stemmed from

longstanding weaknesses.

The society had never entirely seen itself as a hard-nosed business, a tendency reinforced by its commitment to balance its core commercial services — in-house training, company consultancy, conferences and courses — with a range of non-profitable community projects.

It spread its training and advisory services too thinly. The programmes offered to the society's 12.000 member organisations were also looking outdated; weak marketing skills compounded the problems which the recession further underlined.

Attempts to stop the rot hit staff morale. And just when training was emerging as a political hot potato, the society appeared to have lost its way.

Its renewal began with the appointment in July 1991 of Chapman, a former personnel director at the London stock exchange.

The choice of a woman was a statement of change in itself, given the exclusively male lineage which had run the society since its formation in 1918. Her reported assertion that the governing council had been "quite brave" to appoint her was widely shared.

For her part, Chapman saw the society as an important national asset which was under threat.

The society could at least rely on goodwill among its traditional customers, having won widespread approval and support from govern-

ment, business and the trade unions. Its reputation as an evenhanded source of advice was

largely intact.

But the priority was for Andrew Cameron, who arrived from RTZ Corporation as finance director, to sort out the books. Old property valuations were updated, paving the way for short-term loans. Financial controls were improved and costs were cut without job

An intensive re-examination of the society exposed to detailed scrutiny its staff of 350, its services and its relationships with customers. A possible name change was considered and may yet emerge.

"Product lines" were reappraised
- "Did we need to go on running
old courses for the sake of those
Neanderthals who didn't want new
ones?" - and a new generation of

roerammes is eme

The society's organisational structure was also dismantled. An old, departmental structure denied customers full access to the range of services, while staff dedicated to teaching others the art of good communications rarely knew what their colleagues were doing. The new system features six, regionally-based business groups capable of responding better to local require-

The core group of 16 middle and senior managers were subjected to a bruising period of self-analysis and appraisal which led to them all having to re-apply for newly-defined posts.

In September, Bill Beaver, former director of corporate affairs at National Westminster Bank, arrived to head up a revitalised marketing effort.

The "quiet revolution", claims Chapman, means a more self-confident society, armed with a new mission statement and charter of principles intended to set new standards of best practice for organisations and individuals.

Though the society may be more commercially adept, it will not give up its role in forging closer links between pusiness, education and

the community.

It works closely with Training and Enterprise Councils, organises work-related schools conferences and helps to break the homeless-

unemployed cycle.

Its finances have improved. In the year ending last June, the society showed a surplus and there is cash in the bank.

The revitalised organisation is more likely to use its highly-valued independence to speak on issues which it believes are vital to the education and development of Britain's workforce. Chapman says that, despite progress, the organisation is "not out of the woods" yet. But it can, at least, say that it is practising what it preaches.



"As a management consultant with a degree in chemical engineering, I took a close look at various chemical companies. So when it was my turn to join the ranks of those who manage - I had a pretty clear picture of what to expect. What I wanted was

to work with people who were the best in their field. What I didn't want was to waste years waiting to run my own shop. That's why I teamed up with Akzo. The market we're in is constantly on the move. To move with it, we have to travel light. And

Akzo is one of the world's leading companies in selected areas of chemicals, fibers, coatings, salt and health care products. Some 63,000 people, active in 50 countries around the world, make up the Akzo workforce. For more information, write or call: Akzo nv, ACC/F4, P.O. Box 9300, 6800 SB Arnhem, the Netherlands. Telephone [31] 85 66 22 66.

within the corporate guidelines, we've got all the freedom to do so. Akzo represents the best of two worlds - the flexibility of a local entrepreneur, and the power of a global player. You need both to create the right chemistry."

CREATING THE RIGHT CHEMISTRY



elevision has come to the end of an era. In the past week two

of its greatest stalwarts died:

Dan Maskell and This Week.

Both were significant not only

as long term survivors, but as symbols of

what British television has been in its first

age: by and large a public service broad-

casting system with good intentions and

high ideals, dedicated to all the varied

interests of its audience, and not obsessed

with maximising either its ratings or its



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Maskell spent his entire broadcasting career with the BBC. He began his television commentaries from Wimbledon in 1951, the year when Philip Harben presented a cookery series called Country Dish to mark the Festival of Britain, and the BBC's pin-up announcers were McDonald Hobley and Sylvia Peters. Television was still a gee-whizz gimmick and the senior service was BBC Radio with its Light Programme and Home Service. Maskell started as he was to go on for 41 years until his retirement earlier this year at the age of 84, speaking only when he had something useful to say, never using an unkind word, invariably courteous and

mercial broadcasting in Britain. This Week, on the other hand, was born into the commercial system in 1956 shortly after the creation of ITV. It was only three years after Richard Dimbleby had launched Panorama at the BBC and the

urbane, always knowledgeable and audi-

ble. When he started there was no com-

Television/Christopher Dunkley

Sad goodbye to long term survivors

idea at Associated Rediffusion (Thames Television's predecessor) was to offer a weekly current affairs magazine with journalism as good as the BBC's but a more "grabby" approach. To achieve a high standard of journalism they made This Week a reporter-led programme and over the years employed James Cameron, Robin Day, Alastair Burnet, Peter Williams, Robert Kee, Llew Gardner, Jona-than Dimbleby, Peter Taylor, Denis Tuohy and many more.

As to the "grabbiness", having recently searched through many of the programme's 1,500 editions in order to present retrospective on ITV tomorrow, I have been vividly reminded of what this meant. In the early days it meant stopping the ex-servicemen's busking band, The Happy Wanderers, in Oxford Street, whipping out truncheon-sized microphone from your inside pocket (presumably with a hefty cable trailing down the inside of your trouser leg) and interviewing the band amid a huge crowd of onlookers. Later it meant building a full size replica of a Cruise missile on a lorry and trucking it around the home countles to investigate public reaction. Last week in a final edition that typified the programme's traditions -

social concern and a determination to disclose - it meant taking your cameras out on the streets of London to show how life expectancy for those sleeping rough is 47

We are unlikely to see the likes of This Week or Maskell again. British television is now well on the way to becoming an Eastern Atlantic version of American television. Several of Britain's satellite channels, including Sky One, already consist almost entirely of American programmes. The commentaries on the satellite sports channels stand at the opposite side of the spectrum from Maskell's: these men, usually Americans, cannot shut up, they seem to believe that silence will be interpreted by the audience as death. The BBC with its recent timid decision to plan for a major reduction in its audience share appears to be opting voluntarily for a position similar to that of the marginalised public service broadcasting system in the

And all the signs are that the new ITV companies coming into operation on January 1, after succeeding in the Government's new auction process, designed to bring even more vigorous market competition into broadcasting, will act more than ever like their American counterparts. Several, including London's Carlton, will buy all their programmes from independent producers rather than support their own centres of programme-making excellence. This Week is dying because Thames TV failed to keep its licence during the auction, and although Thames will continue in business as a major independent (they plan to go on producing The Bill, This Is Your Life and so on) it seems that neither Carlton nor the ITV network as a whole has any intention of running anything like This Week.

There will still be current affairs, but the top ranked programme in Carlton's listing of "Factual Programmes" is The Good Sex Guide, and in the first few months of 1993 the weekly slot currently occupied by This Week will be taken over partly by the independent company 20 20 Vision and partly by the foot in the door Cook Report. Each outfit has produced interesting material in the past, but nobody is pretending that either will be supporting six programme teams as This Week has, ensuring that, at any time, a crew could be on the next flight out of Heathrow to cover any trouble spot in the world. That, say the people at Carlton, has

become the prerogative of the news pro-

So what of ITV's main news programme? Sure enough News At 10 has just been modified to bring it more closely into line with the American model. There is nothing new about this; British news programmes on both ITV and BBC have been imitating their American counterparts for decades. When Huntley and Brinkley wowed the Americans the British switched to two-handed presentation. Now the three major US networks have reverted to the lone presenter: Dan Rather, Tom Brokaw and Peter Jennings compete in trying to combine charisma and authority with down-home folksiness and through-thescreen acceptability (I do not invent these phrases, I assure you).

So ITN has taken Trevor McDonald and promoted him to the single-seat role. Given the colour of Mr McDonald's skin and the terrifying enthusiasm with which Enoch Powell's pronouncements upon race were once greeted in this country .. an enthusiasm which no one suggests has subsequently abated - this was a brave and admirable thing to do, but scarcely a move designed to boost the ratings, despite Mr McDonald's splendid

professionalism. In the process they effectively demoted the excellent Alastair Stewart, who promptly left, and limited poor Julia Somerville to an "Over to you Hugh" role.

The second half of the programme, which has trouble holding its audience (people tend to zap away the moment the commercials start and then stay aways now contains a "Focus" spot which does, indeed, look like a mini current affairs programme and sometimes contains good material. For instance the recent item following up newspaper campaigns on the appalling effect of EC regulations on abattoirs and scrap metal yards was strong, vivid, and important. But if little bits of work like that are henceforth to be seen as ITV's contribution to current affairs then we are right indeed to mourn the passing of an era.

To me "news" still means the difference between the world yesterday and the world today, and the job of current affairs however much the technology and the

journalistic techniques may change should be to explain the how and the why of those differences. Watching a reporter being kicked up the backside by an irate double glazing salesman, the sort of thing that happens in the Cook Report, has more to do with the Jeremy Beadle school of embarrassment television than with current affairs.

So it is "Goodbye Dan Maskell, goodbye This Week, and hallo Amerika".

Theatre/Malcolm Rutherford

A remarkable 'Cyrano de Bergerac'

To begin with an apology: I had never seen Cyrano de Bergerac before in any of its manifold versions, whether on stage screen or whatever, so can make no comparisons with previous performances. Innocence or ignorance, however, can be an advantage: I can say with absolute freshness what a remarkable piece it is. Nothing else is quite like it.

The version at the Haymarket is a new translation by John Wells. That itself gives pause for thought. Anything that Wells has a hand in whether it is "Dear Bill" in Private Eue or his current role in Graham Green's Travels With My Aunt at Wyndham's tends to bear his own unmistakeable, whimsical stamp, One could almost believe that he invented Cyrano.

But he did not; it just fits his style. The original play is by Edmond Rostand (1868-1918) and has been a success around the world ever since it was first performed in Paris in 1897. was plainly steeped in Shake-speare. Echoes of the battle the world ever since it was

Cyrano (1616-1665) was a real figure: poet, soldier, philosopher, scientist and lover of both sexes, he was someone whom Rostand nicked up at a time when the European theatre was entering a period of great earnestness.

There is nothing earnest

about about Cyrano, whether the man or the play. Rostand called it an heroic comedy. It could be equally well described as a mock tragedy. It seems to me that it is simply sui generis.

The principal attribute of Cyrano is that he has a very large nose, which he assume disfigures him and blights his life. In fact, he is quite wrong about this. In the play, he is an affable character, much sought-after and well-liked. It is his misfortune to believe that he gets by largely on his verbal felicity, while the men with good looks get the girl. But there is much more to Cyrono than Cyrano. Rostand

scenes in Henry IV recur throughout; possibly Cyrano is meant to be a rather cleverer Falstaff with a French education. There is, in this produc-tion by Elijah Moshinksi, some remarkably good ensemble playing of a kind that one does not always associate with the West End. One of the characters, de Guiche, is played by Julian Glover, fresh from his performance as King Henry for the Royal Shakespeare Company. The RSC influence is

catching. There is also a development of the balcony scene in Romeo and Juliet. Cyrano cannot court the woman he wants for fear of being thought too ugly, so he gives his words to his handsome friend. For a time they woo together as if on stilts. This is comedy of a very high order. So, too, is the fencing scene where the duellists not only have to compete with blades but also in inventing verse as they fight. Shakespeare comes in again

mysterious passion haunts the

what nose through yonder window breaks?" and the inevitable "a nose by any other name". Yet the influences are by no means all English. In this very curious mix of a play, it is quite hard not to think of Proust and Stendahl, Rostand brings everything together. Cyrano is played by Robert

Lindsay who carries his nose to perfection. Note when he is asked to taste some wine from a rather narrow glass. The girl, Roxane, is Stella Gonet; she becomes remarkably dignified, almost queen-like in spectacles, in her old age. Both the designs by Michael Yeargan and the lighting by David Hersey are exceptional. A huge amount of effort has gone into the details, and it pays off. Cyrano should be added to the list of plays to be seen during the holidays - or whenever.

Theatre Royal, Haymarket (071) 930 8800



Robert Lindsay (centre) as Cyrano in John Wells's new translation, directed by Elijah Moshinski

Ballet/Clement Crisp

Donizetti Variations

Any evening that shows us Balanchine's Donizetti Variations comes to us smiling and we smile back. And any Carlo opera seasons. Such triple bill as well planned as music spoke a language he day night is also to be greeted with pleasure. (I had thought the art of programme-planning. of composing an evening that, like a serious meal, has shape and conscious progression, was lost to British ballet.)

LCB began with the Donizetti, which is Balanchine's 1960 response to the ballet music from Don Sebastian. Nothing could be prettier, more fleet or more featly done. A ballerina, Eva Evdokimova, and her cavalier, Paul Thrussell, three trios (one man, two girls), and a bubble of steps that are quick, bouncy, Bournonvillian, are the compo-

Balanchine knew all there was to know about ballet music in operas: Diaghilev. engaging him in 1924, asked Can you make opera ballets. fast?" "Yes", said Balanchine.

title role for those of us fortunate to have seen him, and none of the present players seems to find the absolute clarwho had never made one in his ity of feeling and movement life, "very fast", and went on to that the piece requires to bring it off. It is, though, a useful acquisition to LCB's repertory, make dozens for the Monte and worth seeing. ended with th ibly in several works - and to the delicious tunes from Don Sebastian he produced a series of ebullient and taxing entries

nicest of iced puddings, Les Patineurs. Ashton choreography is difficult for artists not reared in the Royal Ballet's traditions - and, alas, difficult nowadays for those who are. LCB's dancers push certain effects unnecessarily (the characterisations are in the steps and need no external prodding with "charm"), but the perfor-mance was sound, and Ashton was recognisable. In sum, a well-conceived and well-executed evening: LCB has never looked better.

London City Ballet is at Sadler's Wells with varied programmes - check with theatre listings - until January 2. "Witchboy" is sponsored by Bankers Trust Company. "Les Patineurs" is sponsored by John and Olivia Hughes

Concert/Max Loppert

Fortepiano pleasures

Robert Levin is a scholar of distinction and a performer whose repertory stretches from the early keyboard collections to Boulez and Carter. As he proved at the Queen Elizabeth Hall on Thursday, his powers as a recitalist on the forteniano are immense. He is not a miniaturist or an antiquarian (although the physical and spiritual qualities of the instrument were captured with alert "period" sympathy), but a musician engaged to his utmost on the matching and reconciling of instrumental sound and musical sense.

A fortepiano recital in this coldly un-intimate hall is a risky business, even when a wooden shield has been supplied to enclose player and instrument, to focus the tone and line amid so much acoustical woolliness. But in his touch of the instrument Mr Levin did nothing egregious or cosmetic to achieve communication; he had no recourse to flashy, audience-wooing tricks. Rather, his accounts of Schubert (the D major Sonata, D.850) and Beethoven (the "Hammerklavier") gloried in the smaller dynamic range, the palette of unhomogenised tone-colours.

He did this by paying the most precise and purposeful attention to tempo relationships, varieties of accents, fine distinctions of chord-voicing, accurate applications of legato and marcato phrasing, in ways unavailable to all but the most sensitive modern-piano performances. The exquisitely fresh, springy and above all keen-spirited character of his Schubert was a continual delight: needle-point wit, such nimble-footed fantasy of the finale recalled Clifford Curzon's performance of the D major - than which no praise can be higher.

The "Hammerklavier" represented a challenge of a far more arduous sort, bravely and in many ways brilliantly faced. I have never heard the Allegro movements go at such a lick, nor the decorative details of the Adagio traced and developed with so lightly lyrical a command of phrase. In this of all works the late-20th-century ear is still habituated to expecting monumentality of sound; Mr Levin's reading achieved genuine rugged monumentality of spirit, which is much

Tate Gallery plans new museum

houses both British and modern art. intends to split up its collections. Yesterday it revealed plans to build a new £50m plus museum of modern art in central London, to be mainly

into an art gallery.

The dual role of the Tate, as the main

bid for Millennium money, intended to give the nation important new arts buildings to celebrate the year 2000. It will have received the Government's tacit approval for the scheme, but will be expected to raise some of the cash museum. It is possible that an existing power station on the Thames, will be converted to a museum if the finance for a new structure is not forthcoming. that its commitment will attract a

INTERNATIONAL

■ BARCELONA

OPERA Lohengrin, conducted by Uwe Mund and staged by Gotz Friedrich, can be seen at Gran Teatre del Liceu tomorrow and Sun (also Dec 23, 27, 30, Jan 2, 5). The cast includes Thomas Sunnecardh, Kurt Rydl and Eva Marton. Sat. Paata Burchuladze sings arias by Verdi, Boito and Musorgsky, accompanied by the Liceu orchestra conducted by Daniel Nazareth (412 3532) CONCERTS

Alexis Weissenberg gives a plano recital tonight at 21.00 in the Palau de la Musica. Fri, Sat, Sun morning: Garcia Navarro conducts Barcelona City Orchestra in works by Haydn. Grieg, Hindemith and Ravel, with piano soloist Maria Tipo. Mon: Handel's Messiah with Scottish Chamber Orchestra and Valencia Chorus (268 1000) . .

 Information and booking for cultural events available through Caixa de Catalunya from 08.00 to 14.00 (310 1212)

■ COLOGNE

that LCB show off with enthu-siasm. Evdokimova, at the

piece's heart, is in radiant

form: grand enough to give the

piece a focus, and quick-footed

and responsive to the fioriture

of the writing. It is a wholly

irresistible ballet, and in it

LCB looks bright, willing, well-

The meaty centre of the

evening was a revival of Jack

Carter's Witch Boy. This is

very much of its time (the mid-

1950s) in manner and dramat-

ics - magic and mayhem in

the Smokey Mountains - but

it is surely made, and in the

past has held audiences by its

dramatic energy. I do not think

LCB's casting is quite right. The memory of John Gilpin's

mannered.

Philharmonie Tonight: Maurice Andre plays trumpet concertos with the Ensemble Orchestral Sun morning: Hans Vonk conducts Cologne Radio Symphony Orchestra in works by Stravinsky and Beethoven. play concertos by Vivaldi. Corelli and Telemann. Dec 23, 24, 25: ballet gala (2601) Opernhaus Tomorrow: Olaf Baer song recital. Fri: Hansel and Gretel. Sat: Thomas Fulton conducts first night of Willy Decker's production of Billy Budd, with a cast including Philip Langridge, Boje Skovhus and Monte Pederson. Next Tues: Die Zauberflöte (221 8400)

■ COPENHAGEN

Flemming Flindt's production of Nutcracker can be seen tonight and Fri at the Royal Theatre, with fürther performances next week. Sat: Don Carlo, Mon: Carmen (3314 1002)

FRANKFURT

 Russian State Ballet tonight and tomorrow at Jahrhunderthalle Hoechst, Fri: Andrei Gavrilov plano recital. Next Tues and Wed: Best of Broadway with New York Harlem Dancers and Uno Dance Company (3601 240)

 Broadway musical 42nd Street Fri in the Alte Oper for a three weeks (1340 400)

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A new William Forsythe ballet is premiered on Sat at the Schauspielhaus, repeated Dec 21, 23, 28, 30, 31 (236061) Ruth Berghaus' new

Konserthuset Tomorrow and Fri: Jesus Lopez-Cobos conducts Gothenburg Symphony Orchestra and Chorus in Berlioz's La Damnation de Faust, with soloists Linda Finnie and Stefan Dahlberg (167000)

■ HAMBURG

Staatsoper The main event this week is the first night on Sunday of a four-part ballet production entitled Zwei Mal Zwel, including the world premiere of a new work by Mats Ek set to music by Gorecki (repeated Dec 22, 29). The opera programme includes Die Zauberflöte (tonight) and Hansel and Gretel (tomorrow and Sat). Harald Stamm sings Winterrelse on Fri (351721) Deutsches Schauspielhaus A new production of Euripides' The Bacchae, directed by Ivo van Hove, opens on Fri. The repertory also includes Shaw's Heartbreak House and Gorkl's Vassa Shelesnova (248713)

■ LEIPZIG

OPERA The main event this week at the Opernhaus is a new production

of Lohengrin opening on Sat, staged by Uwe Wand, conducted by Jiri Kout, with George Gray in the title role and Helena Doese as Elsa (next performance Dec Next Tues: Fiddler on the Roof (7168 273)

CONCERTS Tomorrow and Fri in the Gewandhaus, Kurt Masur conducts Gewandhaus Orchestra in works by Beethoven and Prokofiev, with plano soloist Gerhard Oppitz. Next Wed: choral concert with music by Bach. Corelli and Petr Eben. Dec 29, 30, 31: Kurt Masur conducts

Beethoven's Ninth Symphony

LYON

(7132 280)

 Tomorrow and Sat at Auditorium Maurice Ravel, Lawrence Foster conducts Orchestre National de Lyon in works by Lalo and Dvorak, with world premiere of Koering's Violin Concerto (7860 3713) Kent Nagano conducts Orchestra of Opera de Lyon on Fri in Auditorium Maurice Ravel, with concertos by Mozart, Schumann, Hindemith and Ravel. Nagano also conducts Prokofiev's ballet Romeo and Juliet, choreographed by Angelin Preliocal, opening on Dec 26 (7828 0960)

■ NEW YORK

THEATRE Wovzeck: Jesse Borrego has the title role in a production of

Buchner's play directed by Joanne Akalaitis. Music by Philip Glass, translation by Henry Schmidt (Public, 425 Lalayette

Wendy Wasserstein's play about a reunion in London of three American Jewish sisters (Mitzi E Newhouse, 150 West 65th St, 239 62001

 The Best of Forbidden Broadway: tenth anniversary edition of Gerard Alessandrini's ever-popular musical revue (Theatre East, 211 East 60th St. 838 9090)

Oleanna: David Mamet, in fine curmudgeonly form, takes on political correctness, sexual harassment and a number of other isms in this brief, powerful drama (Orpheum, 126 Second Ave. 307 4100) · Catskills on Broadway: a

revue that pays tribute to the area that spawned America's funniest people, a festival of ethnicity and all but unbroken laughter (Lunt-Fontanne, 205 West 46th, 307 4100)

 The Secret Garden: a charming musical adaptation of the classic children's story by Frances Hodgson Burnett (St James, 246 West 44th St, 239 62001

■STRASBOURG

Palais de la Musique 20.30

The Tate Gallery is making an early The Tate Gallery in London, which

financed by money from the Millen-

nium Fund and to be open by 2000. The existing Tate, on Millbank, will become an enlarged museum of British art. A \$10m donation from an anonymous American well-wisher will enable it to build new galleries in the Tate, which should be complete by 1996.

While it waits for Millennium revenue, financed through the national lottery, to come on stream, the Tate is looking for a temporary home for its modern art collection. It hopes that a property developer with an unlet building will loan it to the Tate for around five years, and perhaps contribute to the £5m-£10m needed for the conversion

British gallery covering the very different fields of modern art and British art, has attracted criticism, but the main impetus for the new museum comes from the Tate's inability to display more than 15 per cent of its 5,100 paintines and sculptures. Even with the new museum only 25 per cent of its holdings will be on show at any one time.

from private and corporate sources and to build up an endowment fund to finance the running of the new building, like the unused Bankside The Tate is not yet launching an appeal; it is staking a claim and hoping response from business and Government and ensure success. The Tate Gallery of British Art will show foreign artists if they have influenced British artists, and the Tate Gal-

lery of Modern Art will exhibit some British paintings. Nicholas Serota, director of the Tate, said the scheme was "a vision put down in words," but, along with the chairman of the Trustees. Mr Dennis Stevenson, thinks the climate is right for this ambitious project. Both museums would offer free

Antony Thorncroft

Dvorak and Bruckner, with violin St. 598 7150) sololst Frank Peter Zimmermann. MONDAY TO FRIDAY production of Der Rosenkavalier de Normandie. Fri evening and 27), Sun: Le nozze di Figaro. Next Jelly's Last Jam: the music Repeated tomorrow (8837 6777). Mon and Wed: Hansel and Gretel. of Jelly Roll Morton, opens at the Opernhaus next Sat. Sun. next Tues and Wed in Wed. Die Fledermaus can be self-proclaimed inventor of jazz, Théatre Municipal: Guschibauer plus an unsparing portrait of the man himself (Virginia, 245 West seen on Fri and Sun (236061) conducts Pierre Strosser's new production of Die Fledermaus at: Bach's Christmas Oratorio. 52nd St, 239 6200) (8875 4823) **GOTHENBURG** Mon and Tues: Virtuosi Saxoniae The Sisters Rosensweig:

STUTTGART The Christmas programme at

the Staatstheater is dominated by John Cranko's production of Prokofiev's ballet Romeo and Juliet, with performances tomorrow and Fri, Dec 21, 22, 25, 28, 29, Tonight's performance of Monteverdi's il ritorno d'Ulisse In patria is conducted by Alan Hacker, Sat: Ruth Berghaus' production of Welli's Mahagonny. Dec 20, 23, 27: Don Glovanni. Dec 26: Tosca (221795)

Theodor Guschlbauer conducts

Orchestra in works by Schubert,

Strasbourg Philharmonic

■ UTRECHT

Vredenburg 20.15 Lev Markiz conducts Netherlands Chamber Orchestra in works by Richard Strauss, Schubert and Stravinsky with cello soloist Matt Haimovitz. Fri: Valery Geraley conducts Netherlands Radio Philharmonic Orchestra; Oestvolskaja and Stravinsky. Sat: Bernhard Klee conducts Radio Symphony Orchestra; Ravel, Chopin and Schumann. Sun afternoon: Hartmut Haenchen conducts Netherlands Philharmonic Orchestra in works by Reimann

and Mendelssohn. (314544)

European Cable and Satellite Business TV (all times CET)

2000-2030, 2300-2330 World Busness Today — a joint FT/CNN pro-duction with Grant Perry and Colum Chapman

Super Channel 0700-0710, 1230-1240, 2230-2240 FT Business Daily 0710-0730, 1240-1300 (Mon. Thurs) FT Business Weekly - global business report with James Bellini 0710-0730, 1240-1300 (Wed) FT Media Europo 0710-0730, 1240-1300 (Fri) FT East-ern Surpne Sonnet ern Europe Roport 2240-2248 FT Report

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S*ky News* 1130-1200, 1730-1800 FT Media

SUNDAY CNN 1**030-1100, 1800-183**0 World Busi-

Super Channel 1900-1930 FT Business Weekly

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FINANCIAL TIMES

Number One Southwark Bridge, London SEI 9HL Tel: 071-873 3000 Telex: 922186 Fax: 071-407 5700 Wednesday December 16 1992

Time to use force in Bosnia

AS MINISTERS gather again in Geneva to discuss the former Yugoslavia, the pressure for stronger external intervention is growing. Today's meeting is technically not a new conference but a meeting at ministerial level of the steering committee of the existing international conference, which met in London last August. That meeting was proclaimed a success, because a number of agreements were reached. But those agreements have not been honoured. The war in Bosnia has continued. So has the odious process of "eth-

British and other European forces have been deployed in a humanitarian role, and have had some success in getting supplies to the more remote Moslem towns and villages which are still holding out. But as the carnage continues, the inadequacy of these operations is more and more painfully apparent to those involved in them, and to the world

The airlifts and convoys are constantly obstructed and sporadically fired on, usually by Bosnian Serb forces. The supplies which do get through, of food, fuel and espe-cially medical equipment, fall far short of what the population needs to survive the winter. Above all, the shelling of Sarajevo and other populated areas continues remorselessly. The humanitarian operations are, at best, saving people from cold and starvation so that they can be killed by mortar fire. That being so, today's meeting will be a waste of time if it contents itself with obtaining yet more Serb signatures to vet more positions.

meaningless agreements. It must be used, by those who genuinely wish to help Bosnia, as the occasion for drawing up a plan of action: and it is no longer any use pretending that action will be effective without any military component

The proposal to enforce the nofly zone is welcome insofar as it at least attempts to restore some credibility to UN Security Council resolutions. But it will achieve little if it used simply to punish the Serbs, without clear political and military objectives.

The ultimate political objective must remain the restoration of peace throughout the republic, with the right of all its citizens to return to their homes in safety, and the obligation of those who have destroyed property to rebuild it. But that objective cannot be secured purely by military means. The military objective, rather, must be to secure enough territory to form a "safe haven" for those Bosnians, Moslem and otherwise. who recognise the authority of the elected government and reject that of Mr Radovan Karadzic's illdisciplined militia - thus enabling them to enter negotiations on a stronger footing than is

possible at present. The UN's next task should be to delineate such an area, and issue an ultimatum to Serb forces to withdraw from it. If the danger of reprisal against existing UN forces is held to inhibit such action, as British ministers have been arguing in recent days, then those forces should be reinforced and/or withdrawn to more defensible

Safer pensions

THE DEADLINE passed yesterday to confine itself to narrow ques for submissions to the Goode committee on pensions law reform. after the publication of a consultative paper in September. The committee is due to publish its find-

ings by next June. That part of the evidence which has been published reveals plenty of diverse viewpoints, but also signs of a consensus that the security of pension scheme assets and benefits must be greatly improved after the Maxwell disaster and a series of lesser, but in themselves

just as disturbing, scandals. One of the more thoughtful papers has come from the Confederation of British Industry. Private-sector schemes did, in fact, peak in terms of employee membership as long ago as 1967 at 8.1m and now cover well under 6m people, against perhaps 5m in public-sector schemes. However, there are still 460,000 private-sector schemes with assets of £320bn.

The decline in private-sector coverage raises the fundamental question of what occupational schemes are there for. They were originally designed to attract workers and reward long service. These days, however, lifetime service with the same employer is unusual and pension schemes are often used to finance early retirement and redundancy packages. The CBI emphasises that schemes will need to be much more flexible in future. But this could make scheme membership less attrac-

pity if the Goode committee were reason for pulling punches.

tions of fraud and mismanage ment. There seems to be a fairly general acceptance that some sort of compensation scheme should be introduced, but not many of those organisations which have sent in submissions are ready to accept that comprehensive protection should be put in place. True, the National Association of Pension Funds has taken a strongly positive line, but has been strongly criticised for its pains by some of its big member schemes. The CBL, too, believes that compensation should be provided only in clear cases of fraud, but not of maladministration or investment losses Yet it is not clear that it will be practical to draw fine distinctions or wait years for proof of fraud where members' expectations have been disappointed.

Companies that wish to provide occupational schemes for their workers will have to pay the price of extensive regulation and protection, just as do the investment institutions that sell norma savings products. Inevitably the imposition of minimum funding standards and external trustees would seriously cramp the style of the traditional company scheme and would raise questions about the balance between schemes with a final salary link and those with a money purchase structure where more of the investment risk falls upon the member of the Committee's recommendations turn out to have momentous implications for For this reason, it would be a company pensions that will be no

Italy protests

MUNICIPAL ELECTIONS in Italy this week have amply confirmed the public disrepute of Italy's entrenched party political system. The pro-autonomy Northern League protest party continued its recent spectacular success by capturing a third of the vote in Varese and Monza near Milan. But the growing appeal of this new party is also the corollary of the continued loss of public confidence in the traditional political

The depth of their discredit. which first became unmistakable in the fragmentation of the April general elections, has since been increased by the wave of political finance scandals, which have revealed the wholesale implication of the Christian Democrats and even more of the Socialists. That wave is still gathering momentum; last week parliament lifted the immunity of Mr Gianni De Michelis, the former foreign minister, and Mr Bettino Craxi, former prime minister, yesterday confirmed he is under investigation.

In the medium term, the combined effects of the crackdown by the judges and rejection by the voters will seriously weaken the traditional party structures which have conspired to share the benefits of government and public office ever since the second world war. But in the short run, the paradoxical effect may be to strengthen the government of professor Giuliano Amato, provided it presses ahead rapidly and boldly with reforms both of Italy's public

finances and of its constitution. In his first eight months in office, Prof Amato has started well, with far-reaching measures to contain Italy's ballooning budget deficit, including cut-backs in public spending, restraints on public sector pay, and a sharp increase in the income tax effectively levied on the self-employed. This week he will call on parliament to endorse the necessary counterpart of these budget mensures, with a programme for the privatisation of Italy's large state industrial sector. But a single austerity budget will not be enough: Italy will need to back away at the deficit for several years to come if it is to bring its finances into reasonable order.

In the longer run, political reforms will be just as important if Italy is to recover the chance of sound government Vested inter ests in the party hierarchies are likely to resist all reform propoals which could seem to threaten their traditional fieldoms. But the momentum for constitutional reform, exemplified by the pres sure for a number of national referenda, should ensure that the reform proposals early next year, including a reduction in the role of proportional representation and a strengthening of the indepen-

dence of regional government. For the moment Mr Amato has the strength of a weak government which cannot be over thrown. But that strength will not

The FT yesterday intercepted a fax intended for the prime minister. It is from the headhunting firm. Sell-Ffone & Crynge, which has been employed in the search for a new governor of the Bank of England.

Dear prime minister.

his is the final report on possible candidates for the post of governor of the Bank of England. I suspect you will want to announce the appointment soon to allow for a smooth handover of responsibilities before s/he takes up the appointment on July 1. Your officials tell me that an announcement early in the new year is planned. Were you to decide to make a

controversial choice - and I suspect that is unlikely - you might wish to take a leaf out of your predecessor's book. She announced the appointment of Leigh-Pemberton [the current governor] two days before Christmas in 1982, which is not a time when the press tends to devote reams of newsprint to a discussion of monetary policy or bank supervision.

As you know, whoever is chosen will face tremendous challenges, perhaps greater than any governor since Montagu Norman (governor for a record 24 years between 1920 and 1944), who began the transformation of the institution into a modern central bank. I therefore assume that the chancellor was making a seasonal quip when he recently told me that it would be "helpful to have a turkey at the

The magnitude of the job can best be seen from an examination of the Bank's mission statement, drawn up two years ago by Leigh-Pemberton to introduce good corporate governance into the Bank. It has

• the value of the currency should be maintained: • the stability of the banking system should be preserved by the work of the Bank's supervisory division operating under the 1987 Bank-

• the competitiveness and efficiency of markets in the City of London should be encouraged. The way in which the Bank car-

ries out these functions is likely to change: indeed it is questionable whether it will continue to have all these responsibilities. It is difficult to predict how the Bank's responsibilities to maintain the currency - and combat infla-

tion - will develop. The chancellor recently gave it a new task of making a quarterly public assessment of progress in the battle against infla-Although this falls some way short of giving it independent powers to set interest rates, I suspect from my chats with you that such

independence is not completely off the agenda for the duration of your government. If members of the European Community move towards economic and monetary union, the Bank's monetary role will inevitably be transformed. It would eventually become part of a federation of independent central banks setting European

monetary policy. The governor must also implement reforms to the Bank's supervisory department, which are being introduced following criticism that it was ineffective in its role as supervisor of the Bank of Credit and Commerce International, the corrupt international bank.

I understand you are keeping under review the question of whether the Bank should continue

The names of potential Bank of England governors have been submitted by a firm of headhunters, writes Robert Peston

Wanted: potent pair of eyebrows

to be involved in bank supervision at all, or whether these responsibilities should be hived off to a new independent regulatory unit.

Given that the structural changes at the Bank are likely to be far-reaching, the governor must possess the ability to think strategically and adapt to change. There are two other important qualities s/he must have. Governors are increasingly expected to negotiate face to face with their peers on complex EC directives or other highly technical issues, such as the linkage of payment systems or rules governing banks' capital requirements. Technical expertise and negotiating skills are essential.

We started with 10 possible candidates: Sir David Scholey, chairman of the merchant bank, S G Warburg; Eddie George, Bank deputy governor. Sir David Walker, deputy chairman of Lloyds Bank and former chairman of the Securities and Investments Board: Bruce Patullo. governor of the Bank of Scotland: Sir Christopher Hogg, chairman of Courtaulds: Sarah Hogg (no relation), the head of your Policy Unit; Sir Peter Middleton, deputy chairman of Barclays and former Treasury permanent secretary; Sir Dennis Weatherstone, chairman of JP Morgan, the US bank; Sir Leon Brittan, EC competition commissioner; and Lord Lawson, former chancellor. Two emerged as front-runners: Scholey and George. There follows an analysis of how they match up to what we see as essential traits for the new governor.

PEDIGREE Until recently, almost all governors have been drawn from the merchant banks. Leigh-Pemberton was the first clearing banker to be

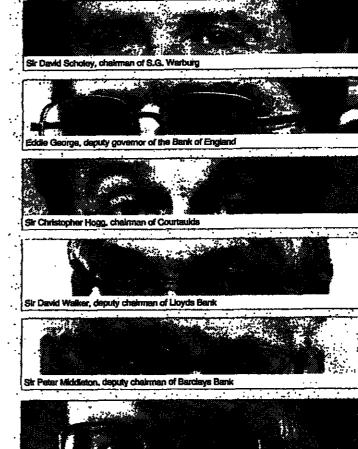
offered the post. Even after the Bank was nationalised following the second world war, governors have usually been merchant bankers, including Lord Catto (a Morgan Grenfell man), Lord Cobbold (in one sense the first career Bank man to become governor, though he spent his early career in merchant banking), Lord Cromer (from Barings), and Lord Richardson (from Schroders).

So the traditional choice would be to go for Scholey, who is already a non-executive Bank director. On the other hand, the Bank has

become far more professional in the past 70 years and there is a precedent for the choice of a career Bank man such as George. Lord O'Brien (governor from 1966 to 1973) joined the Bank straight from school. EYEBROW POTENCY

Traditionally, governors are expected to encourage City firms to act responsibly by a mere twitch of the eyebrow. But in fairness to all candidates, the governor's god-like power to influence City events has been lessened by legislative

A governor's ability to exert pressure by raising an eyebrow at the Do they pass the test?



Sarah Hogg, head of Downing Street policy unit Nigel Lawson, former Chancellor of the Exchequer

apposite moment was greatest when there were few formal rules governing City behaviour and the Square Mile was a club, with the governor as chairman of the membership committee. But the 1987 Banking Act and the 1986 Financial Services Act have provided a statutory framework for financial firms' dealings. If the Bank wants to prevent a bank from behaving in a certain way, its ultimate weapon is the law. If it wants to go further and close down a bank, it must be certain that it is justified in doing so under the terms of the banking act. All of which has militated against

the use of eyebrows. Nonetheless, Leigh-Pemberton's eyebrows have twitched effectively over the past few years. He encouraged Midland to appoint a new chairman and a chief executive to replace Sir Kit McMahon (who held both posts) in early 1991. Similarly, he forced the departure of Christopher Reeves from the post of chief executive at Morgan Grenfell in 1987 and sup-ported the appointment of Rodney Galpin to the Standard Chartered chair in 1988.

There have been limits, however His disapproval of Lloyds Bank's hostile attempts to buy Midland last spring did not deter Lloyds having a go (and failing). Scholey's eyebrows may turn out

to be authoritative - his dislike of publicity has succeeded in sustaining an aura of mystique around

Warburg. Mystique is an essential prerequisite for the successful exercise of influence outside the public domain. George's lower forehead is hidden behind spectacles and a bil-low of smoke from an ever-present cigarette.
TECHNICIAN/NEGOTIATOR

The first task of the governor may be to negotiate the setting up of the European Monetary Institute and the European Central Bank, if prog-ress towards European monetary union revives. The EMI is the intended precursor of the European Central Bank and is to begin life in January 1994. It would have no formal responsibility for making monetary policy, but it is supposed to be a powerful forum for evaluating EC members' monetary policy.

It is vital, therefore, that the governor, as British member of the EMI council, should have the stature to defend the UK's position. The governor must also be comfortable grappling with highly technical issues, such as the division of national currency reserves in a European Central Bank.

If such skills are the most important criterion, George is the leading candidate. Since 1982, he has been responsible for monetary policy, market operations and market supervision at the Bank. On the other hand, Scholey's negotiating skills have been widely praised – and he is said to be adept at mastering a complex brief. He also has political skills (I understand he was lauding your abilities, long before you were considered a serious candidate to succeed Lady Thatcher). SANG-FROID

George has demonstrated his ability to keep his head in a crisis. I understand you were impressed by his coolness during the currency turmoil of the summer which led to the lik's withdrawal from the exchange rate mechanism.

Scholey, however, can claim that much of the business of merchant banking is crisis-management – especially the giving of advice on takeovers and mergers. JUDGMENT

This is particularly difficult to assess. It is arguable that George should have been more forceful in advising you earlier in the summe of the risks of trying to defend the pound's level within the ERM. STRATEGIC THINKING

Scholey is probably the only candidate to have reorganised completely a large international organisation. By merging his merchant bank with two stockbrokers and a stockjobber or share wholesaler – he created a new breed of UK securities firm On the other hand, the profitability of Warburg has recently come under pressure and its success in becoming a truly international business has probably been less rapid than he would have liked.

On balance, I believe there are strong arguments in favour of both George and Scholey. The overall thrust of my analysis is that your choice will be decided by whether you want a technocrat, in which case you should choose George, or a strategist, in which case Scholey should be picked.

You may be tempted by the idea of trying to persuade George to serve under Scholey. A minor consideration is that, if George becomes governor, it will not be easy to find a new deputy governor, since there is no obvious internal candidate.

On the other hand, we would be more than happy to act in the search for a deputy.
Yours most sincerely,

Gavin Sell-Ffone PS: If you opt for a compromise candidate, do get back in touch.

PERSONAL VIEW

Case for a second tier

By Lynton Jones



The news of the probable demise of the USM - the London Stock Exchange's inelegant name for its second-Lilli tier market - crept into the press recently with barely

a whimper, Analysts were wheeled out to proclaim that the market had had its day, and that most companies on the Unlisted Securities Market ought now to move up to the main listed market.

How short memories are. In the heady days of the 1980s the ability to raise equity capital on the USM at an early stage in a company's development was seen as one of the main factors in stimulating the growth of new enterprises. The London Stock Exchange created the USM primarily because it had been criticised for its poor record in encouraging small companies to raise risk capital.

But it did so with mixed feelings. There is a fundamental contradiction between the objectives of those responsible for promoting the main listed market, who seek to prove that only companies of the highest standards are listed, and those responsible for promoting a second tier market, who have to accept that some companies might present a high risk to the potential investor. To have both markets run by the the stock exchange was therefore always likely to produce tensions.

Not only were both markets run by the same exchange, they were run by the same department within that exchange, it was a fundamental error to give responsibility for both to the Quotations Department, which was always uneasy about the USM's lower listing standards.

Despite the phenomenal growth of the second tier market during the

mid-1980s, those responsible at that time for assessing whether it met the needs of industry were reaching some uncomfortable conclusions. The Quotations Department was so risk-averse that virtually no companies were admitted to the USM under the listing requirement for the financing of greenfield projects. This meant that in addition to the USM there continued to exist a market outside the exchange.
It was the continued existence of

an unregulated over-the-counter market outside the exchange and the perceived shortcomings of the USM that ultimately led to the creation of the Third Market by the exchange. But once again, the innate conservatism of the Quota-tions Department had the effect of strangling this infant at birth. With the introduction of the vari-

ous EC listing directives, which nar-rowed the differences in the listing requirements of main and second tier markets, the exchange took the opportunity to close the Third Market altogether and to review the conditions for listing on the USM. It now appears that this review will conclude that there should be no difference between listing requirements on the USM and the main market. Hence it is probable that the USM will be closed down.

The timing is dreadful. The growth in the number of companies coming on to the USM has closely mirrored the growth of the economy in general. Indeed, as the economy went into recession, the number of companies using the USM to raise capital nearly reached vanishing point. Now, with the economy apparently beginning to recover, it is vital to have in place a healthy second tier market to encourage the

growth of new companies. The stock exchange will never be able to run a second tier market with enthusiasm. Its job, like that of

the New York Stock Exchange, is to provide retail investors with a safe haven for their investments, and institutional investors with a liquid market for heavily traded securi-ties. This role does not sit easily with that of providing a market for higher risk investments. As in the US, a second tier market run by a completely different body is needed.

It is here that the regulatory problems arise. In many countries, the body responsible for setting the listing requirements (the "listing authority" in the language of the EC) is the central regulator, such as the US Securities and Exchange Commission. In the UK, the "listing authority" is none other than the stock exchange, which is not likely to make it easier for competing exchanges to list the shares of UK companies. One wonders whether the Office of Fair Trading has considered the anti-competitive nature of this arrangement. The lessons of this analysis are

the following:

the UK needs a second tier market, especially at a time when economic recovery is imminent;
• the stock exchange is not best equipped to provide this market; · if we are to encourage competition among exchanges, and therefore the provision of a specialised and independent second tier market, then it is of the first importance that the role of "listing authority" should pass from the stock exchange to the Securities and Investments Board.

Let us hope that SIB chairman Andrew Large, in his current review of the regulatory infrastruc-ture, takes this into consideration. The author is chief executive of OM. London, an electronic futures and options exchange. He has worked at the London Stock Exchange and was managing director of Nasdaq Interef Nasdaq Inter

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only issue

Sir, The recent Standard &

Poor's report on the financial

strength of some UK life offices

continues the debate on this

difficult and complex topic.

Lots of commentators, includ

ing many from the actuarial

profession, have counselled

caution when using such sur-

veys. One particular point

seems to have been missed by

the compilers of such surveys.

High levels of free assets are

equated with strength, which

is judged to be good by policy-

holders. In my view this is not

The point is that financial

strength is not the only issue.

From P A Leandro.

Edward Mortimer

Grievous national harm

week has seen two big steps forward in the struggle to establish the rights of minorities in a world of nation states. In New York, the UN General Assembly adopted a declaration "on the rights of persons belonging to national or ethnic, religious or linguistic minorities"; and in Stockholm, the Conference on Security and Co-operation in Europe appointed Mr Max van der Stoel, a former Dutch foreign minister, as its first high commissioner on national

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TREMNICAN VEGOTATION

The processes leading to both steps have been infuriatingly slow. The UN declaration was originally drafted as long ago as 1978. The CSCE first alluded to national minorities in the Helsinki Final Act of 1975, but at that time only to say that those European states on whose territory such minorities existed would respect the right of their members to equality before the law, would afford them the "opportunity for the full enjoyment of human rights and fundaments freedoms" and would "protect their legitimate interests in

Not until June 1990, after the fall of communist regimes in central and eastern Europe, did CSCE recognise the right of people belonging to minorities "freely to express, preserve and develop their ethnic, cultural, linguistic or religious identity and to maintain and develop their culture in all its aspects, free of any attempts against assimilation against their will". A year later, a CSCE meeting reached the daring conclusion that "issues concerning national minorities, as well as compliance with international obligations and commitments concerning the rights of persons belonging to them, are matters of legitimate international concern and consequently do not constitute exclusively an internal affair of

the respective state". The experts at the meeting went on to list a number of measures by which some of the participating states had obtained positive results "in an appropriate democratic manner". They said cross-frontier contacts between people shar-ing a common ethnic or national origin, cultural heritage or religious belief should be encouraged and promised to exchange information and statements of policy on the subject, "on a voluntary basis". But that was about as far as it went, until this March when the Netherlands out forward the idea of a high commisadopted at the Helsinki sum-

mit in early July. Everyone knew that Mr van der Stoel, a veteran human rights campaigner who recently served as UN special rapporteur on Iraq, was waiting in the wings. And by this summer almost everyone

Recognition of minority rights can be either a prelude, or an alternative, to frontier changes



Max van der Stoel (left), CSCE commissioner on national minorities; working in the shadow of Marshal Tito

could see that the problem was an urgent one, with ethnic conflicts coming rapidly to the boil all over the Balkans, central Europe and the former Soviet Union. I fondly imagined Mr van der Stoel would leap straight into action, taking up (for instance) the situation of the Hungarian minority in Slovakia, and that of the Russian speakers left behind in the Bal-tic states. But the wheels of multinational diplomacy grind exceeding slow. He could not even be appointed until the 52 participating states got together again at foreign minister level. Meanwhile five pre-

cious months had been lost.

Kosovo, it might appear that the solutions found in Yugoslavia were very sophisticated, comprehensive and aimed at a degree of national and ethnic pluralism unparalleled anywhere in the world". And he drew the obvious moral that "it would be excessively legalistic and naive simply to compare national legislation with regard to minorities on the assumption that perfect models could be found which could prevent the eruption of violent conflict"

Indeed, the Yugoslav tragedy provides excellent arguments for anyone seeking to bury the whole issue of minority rights.

Since the fall of communism it has become apparent that simple suppression of dissent does not work

One of the saddest ironies in the whole affair is that the state that had been most actively pushing the minorities issue, both at the UN and in CSCE, was Yugoslavia. It was Yugoslavia that produced the first draft of the UN declaration back in 1978, and Yugoslavia that pressed tirelessly for CSCE to take up the subiect, against strong French, American and Soviet reservations. As recently as August 1991 Yugoslavia submitted one of the most comprehensive tionnaire sent out by the UN sub-commission on the preven-tion of discrimination and pro-

tection of minorities. In his progress report sub-mitted last July the sub-commission's special rapporteur, Mr Asbjorn Eide, remarked that "leaving aside the issue of The late Marshal Tito may have been a communist dictator, but in national terms his policies were admirably pluralist. Instead of imposing a uni-tary state or a single national identity on his fellow citizens, he organised them into six separate republics and recognised an even larger number of

nationalities The trouble was, of course, that republics and nationalities did not perfectly correspond. Many Serbs live outside the Serbian republic, the Moslems own, and the Albanians were divided between Serbia and Macedonia.

That was hardly Tito's fault. nents broadly corresponded to historical and demographic realities, which provided (one might think) good reason for keeping the

But once the iron frame of

communism began to loosen. populist leaders exploited national passions, and the whole structure fell apart. Serbian leadership suppressed the rights Tito had accorded to Albanians in Kosovo. The leaders of Slovenia and Croatia did what they could to weaken the federal institutions, fearing they would be used as instruments of Serb domination; when Serbla resisted this, they proclaimed independence. Serbs in Croatia, and later, in Bosnia-Hercegovina, took up arms rather than let themselves be separated from Serbia, only to be told by the international community that they had no right to alter "existing" frontiers, although they had never thought of these frontiers as interna-

After that experience any state might reasonably argue that it would be signing its own death warrant by recognising different nationalities among its citizens, and more especially by recognising any autonomous territorial entities. Yet the tide of history seems to be running the other way. States are actually more willing than in the past to admit the existence of national minorities and to codify their rights. In Europe, they have even appointed Mr van der Stoel as an official international busy-body to interfere in

these highly sensitive matters. Why? Because the fall of communism has called in question all forms of purely authoritarian rule. It has become apparent that simple suppression of dissent does not work; that strongly held political grievances will in the end make themselves felt, and, for good or ill (usually in practice for a mixture of both), the feeling of national identity is one of the strongest human emotions. Once people believe that they belong to a different nation from their rulers, it is all too easy for nationalist ders to persuade them to see all their grievances through that prism. The more their national identity is denied or suppressed, the more convinced they are that indepen-

dence is the only solution.

But since in so many places national groups live intermingled on the same territory, independence is seldom possible without bloodshed. Each national group that escapes from minority status takes with it a small minority that has to be either coerced or displaced. Thus even large nations which cared little for themselves taking an interest in new minorities of their own kith and kin, on the other side of new frontiers. And everyone starts to think how much better it would be if frontiers did not have to change, because minorities were properly treated within existing states.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SEI 9HL Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Doubts over | UK's old enthusiasm | Strength not US aims in Somalia

From Mr Mohamoud Abdi. Prom Sir Oscar De Ville.

Sir, The declared objective of the massive US military intervention in the war-torn and starving Somalia is a humanitarian one. In the Gulf war the purpose of the US military intervention was that of protecting Saudi Arabia from "Iraqi aggression" and it ended with the destruction of Iraq and the redrawing of its border with Kuwait. There is a real concern among the Somalis that what looks like a benevolent American occupation of Somalia is in fact the thin end of a wedge that will ultimately divide the country into north and south

It is advisable for the US to stick to its humanitarian intentions, and confine its military intervention to the areas where there is a need for them and not send troops north of Belet Weyne. Spreading troops into relatively peaceful northern and north-eastern regions will be seen as a sign that this is an army of occupation with more sinister objectives. Mohamoud Abdi,

19 Berenger Tower, Worlds End, London SW10 0EF

Ignore critics and enjoy the show

From Mr Gordon Bentley. Sir, What surprises me is that Mr Carter (Letters, December 12) is surprised! In my experience theatre-goers are unlikely to be disappointed if they ignore convention and buy tickets only to shows which have received a critical right-hander".

My next excursion will, if I can obtain two tickets, be to the Royal Opera House. Are there any Clement Crisp devotees out there sufficiently apprehensive to send me Gordon Bentley,

Woodland Cottage, Green Lane.

Langley, Maidstone, Kent ME17 3JW

for training needs to be rekindled

Sir, Peter McGregor's letter about training (December 12) makes an important point,

ried out in many companies with enthusiasm and vigour. There were training within industry programmes sponsored by government; part-time release for young people to have one day's study a week; well-established apprenticeship schemes on a new "sandwich course" basis; together with the benefits from "productivity reports" on US practice in operator training, supervisor training and management development. By the 1950s these were a minimum for most industrial companies,

where so many ex-service per-sonnel had themselves seen

Some of that work will have Training in industry after been sustained and improved the second world war was carupon. But it is tragically true that for 20 years or so when we in British management were distracted by industrial relations problems and by transient educational fashions those earlier standards were

often allowed to lapse.

the effectiveness of military

training. This was certainly

the case at Ford.

But we lack a clear national pattern, and that old enthusiasm has yet to be rekindled. Oscar De Ville,

Sonning on Thames, Berks RG4 0XE

Brittan and Herr Schlesinger.

should we try to patch it up or

seize the opportunity to insti-

tute a completely new, and

extra- (not supra-) national

monetary system? For, any

monetary system which depends on value ascribed sim-

ply by the edict of govern-

ments to currencies, which

intrinsically have zero value, is

The values of such curren-

cies are legal and economic fic-

tions based solely on confi-

dence in the economic

credentials of the governments

concerned. With electoral

self-interest, parties, personali-

ties and policies changing year

by year - and even hour by

hour - common sense and his-

tory tell us the system cannot,

long term, provide a stable

measure nor store of wealth.

Yet. like fruit and nut cases

we persist in believing in the

black magic of the system.

9-11 Culmington Road

Ealing, London W13 9NL

T Robinson

13 Shenstone

itself inherently flawed.

Currency value based on edict not a stable measure of wealth

From T Robinson. Sir, Recent comparison of chocolate bars with currency (Observer, December 8, and Letters, December 10) reminds me, if memory holds, that the original FT article in 1981 sought seriously to examine the problem of maintaining a standard measure of wealth over the passage of time, given the unreliability (ie a tendency to inflation) of fiat money.

"Hours-worked" was one

method explored; eg if the average industrial wage-earner needs to work fewer hours now to buy a given product than he did 10 years ago he may reli-ably be considered better off, irrespective of the number of pound notes in his pay packet. An alternative to "hours-worked" was the Mars Bar, since it represented a constant basket of basic commodities: cocoa, sugar, paper etc. Though humorous, it parallels Prof Hayek's proposals for competing currencies based on convertibility against fixed baskets of a wide selection of

When ERM is exposed, in the

Fortunately there is a new necessarily the case, it may be that high levels of free assets management awareness of the need to re-establish training as are the result of under-declaration of past policy holders a priority, and this government has done much to that end. bonuses and of penal surrender values. In this situation high levels of free assets may have been bad for the policy-holders

Bexton Cottage, 18 Pound Lane.

11 Tufton Street, London SW1P 3QB Speculative same week, as inherently flawed, both by Mr Samuel

P A Leandro.

& Company.

Barnett Waddingham

consulting actuaries,

questions From Mr Brian Taylor.

Sir, Thank you for providing your readers with the article Behind the ERM crisis (December 11 and 12). Although I read the FT regularly, I am apparently illiterate when it comes to understand-ing the huge markets which can pump billions through the

system in a few hours. Does the FT know why Britain lost £10bn defending its currency while the French, you report, "made an estimated FFr1.2bn in profit at the specu-lators' expense"? Who are these speculators, and where do they get their money from?
A principle of democracy is involved in these questions. It readers like myself do not understand the mechanics of currency movements, how can we control politicians who deal in huge sums at our expense? Brian Taylor,

6 Fenners Lawn. Gresham Road, Cambridge

OBSERVER

Economic goals

omen?

■ Could Chelsea football club's surge up the premier league table be a welcome economic

It sounds implausible, but if an observation made by Prime Minister John Major in a recent book holds true, the Blues' revival may be just the tonic the economy needs. Writing in "We'll Support You Evermore" – an anthology of paeans to various soccer clubs by celebrated fans - the prime minister recalls how in the mid-1970s "Chelsea's problems seemed to mirror the country's".

"As Britain turned to the International Monetary Fund to bail out our economy, so Chelsea had to go cap in hand to its bankers . . . The upturn in Chelsea's fortunes in the 1980s was, like Britain's recovery, long overdue and comments Chelsea's famous

Does the relationship still bold? Time will tell. But the cognoscenti will note that Chelsea's lowest ebb this season was reached when Paul Elliott, one of its star players. was seriously injured - just 10 days before Black

Dispatched

constitution.

■ One of the most emotive issues in Germany at the moment is whether or not its troops can be sent abroad on UN peace-keeping missions without violating the country's constitution. The government is anxious to send medics and engineers to Somalia but the opposition Social Democratic Party seems to be firmly against sending German troops without amending the

Hence it comes as something of a surprise to learn that German troops, albeit only a few of them, were secretly dispatched last year to the Middle East during operation Desert Storm. It is understood that former east German Nationale Volksarmee officers who had just been integrated into the west German Bundeswehr, were sent to the desert to give the Americans the low-down on the fracis' Scuds. Their former employer had after all been one of the biggest users of the Soviet

If German soldiers can belp beat the Iraqis, surely they should be allowed to help save the Somalis.

Changing times

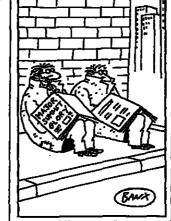
■ What are we to make of the government's decision to find a new public relations and marketing adviser for the sale of its next tranche of BT shares? With the reappointment of S G Warburg and Linklaters & Paines, it

looked as if the government intended to use the same old team of advisers. However, it has replaced Dewe Rogerson, the undoubted pr king of the privatisation world, with Brunswick, a relative upstart in the

business. It seems that the Treasury simply wanted a change. But in the candyfloss world of the pr merchants it will be seen as a big blow for Dewe Rogerson.

Currency quiz ■ A cry for help from Goldman

Sachs no less. David Morrison, the company's chief international economist, is worried that no one is going to be able to solve his Christmas quiz and thereby win two jeroboams of champagne.



For a while I thought Europe was on the brink'

Which currency would President-elect Clinton be least likely to draw on if reminiscing on his days at Oxford? Which eastern currency detached itself in early November and would prove useful in attempting to win the football pools but, ironically, not in France? In response to which event this year did a European foreign minister declare: "If you can't join them, beat

In the event of a tie, the overall winner will be the producer of the best completed ilmerick, the first two lines of which are as follows: There once was an old central banker whose currency filled him with

rancour... Answers to Morrison by Thursday night. Telephone 071-774 1000; fax 774 1181.

Underground

■ A missing piece has been returned to the French corporate chess-board. Francis Lorentz, hero of many battles at state-owned computer-maker Bull, has found a new job. Now 50, the tenacious mountaineering

the boss of the RATP, the troubled Parisian metro

network. Six months ago, Lorentz was booted out of loss-making Bull after having clashed with former Prime Minister Edith Cresson over whether to allow the Japanese electronics group NEC to take a minority stake in Bull. Although he won the NEC battle, it made him enemies in the public administration and scarcely strengthened his job security.

It's as well that Lorentz likes a challenge because that is precisely what he will get at the RATP, not least in negotiations over metro drivers' working conditions. They were the bone of contention behind last month's resignation of ex-chairman Christian Blanc, after drivers' strikes forced millions of Parisians to walk home through spectacular traffic iams.

Proportional

■ If your name is Simon Engineering and you need to borrow £50m then you may have to search around a bit. However, one name stands out in Simon's latest banking syndicate. Alongside Barclays, Lloyds and Bayerische Landesbank, is something called the Fifth Third Bank. Observer has heard of quite

a few First National banks and even knows the address of the Second National Bank of Saginaw, But what is the Fifth Third bank? Based in C<u>incinnati,</u> where Simon has its US operation, it was formed in 1908 after the merger of the Fifth and Third National banks. It is by all accounts a first-rate outfit, albeit ranking 257th in the world bank pecking order. Even so with a name like that it could be confused with the Bank of the Last Thirty Second.

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FINANCIAL TIMES

Wednesday December 16 1992



Boeing, Airbus to share \$4.1bn aircraft order

A \$4.1bn (£2.7bn) order for US Boeing and European Airbus airliners from the Californian aircraft leasing company International Lease Finance Corporation

firm aircraft orders went to Boeing, which secured orders for 53

But Airbus, which clinched firm orders for 28 aircraft, also won the first firm commitment from ILFC for its new 125-seater A319 jet which it hopes to launch

launch the A319 programme would hinge on the consortium winning sufficient commitments from other airline customers in the next few months.

ufacturer now trailing Boeing and Airbus in the market, won only one firm order from ILFC. This involved the conversion of an earlier option for an MD11 three-engine airliner into a firm

by ILFC, the second-largest aircraft leasing company after GPA of Ireland, is one of the biggest

port industry recession.

But it is unlikely to ease the immediate strains in the market with financially squeezed airlines continuing to seek to defer or cancel earlier orders.

After the cancellation of 74 Airbus aircraft worth \$3.5bn by Northwest Airlines last week, United Airlines announced late on Monday that it had started discussions with Boeing to reduce "significantly" its capital spending commitments for new aircraft

United, which announced earlier this year a first round of cuts involving 122 aircraft, said it had 433 Boeing aircraft on order and option.

ILFC, a subsidiary of AIG, the US insurance group, appears to have decided to take advantage of bargain prices for new aircraft and engines at a time when its bigger and financially pressed rival GPA is in the midst of complex negotiations with its bankers and with manufacturers to defer orders.

The move will provide some relief for the big aircraft and engine manufacturers and their suppliers which have been forced in recent weeks to scale back production and cut jobs.

directly on Airbus activities including the production of all Airbus wings.

Rolls-Royce said it would supply \$160m worth of engines to power some of the aircraft ordered by ILFC. However, the US General Electric group won the biggest share of the ILFC order with contracts worth \$1bn for engines to power 51 air-

ILFC ordered aircraft from the entire range of Airbus jets including the widebody A300, A310, A330 and A340 as well as the narrowbody A320 and A321. Six of the still to be launched A319 were ordered. Apart from the 28 firm Airbus orders it took eight additional options for Airbus jets. The Boeing orders include the US company's latest widebody,

jumbo, the 767, the 757 and the 737. Of the 53 firm orders placed with Boeing, 18 were conversions of earlier options.

Boeing said ILFC also added 17 new options bringing total its

the 777, as well as the 747-400

total options for Boeing aircraft to 47 jets. Mr Steven Udvar-Hazy, ILFC's president, said he hoped the orders "will be a sparkplug to return confidence to the airline

efore foreign troops arrived.

reportedly tried to loot diesel fuel and food and settle final scores before hiding their weapons and withdrawing their battle wagons from the streets.

He also warned Somalis and

Aid workers who have been holed up in compounds fortified by sandbags and machine-gun emplacements on roofs expressed hope the US military interven tion would allow them to get back to serious work.

At makeshift roadside garage mechanics repaired axles and spare wheels and fine-tuned engines to ensure cars could

make a speedy getaway.

Residents pushed donkey carts or broken-up wheelbarrows loaded with sacks of US wheat and EC vegetable oil off the streets behind the walls of compounds fearing foreign troops might confiscate plundered relief

French close ranks, Page 4

US forces close in on Somali

Marines moved into the lawless Somali town of Baidoa last night and took control of the disused airstrip to prepare for the arrival within hours of a much larger military intervention force.

Colonel Mohamed Gutaale, commander of airport security in the terrorised town, refused to let foreigners beyond the airport perimeter last night and said: The Marines are in control of the airport now. You cannot

The seizure of Baidoa airport under cover of darkness is the first penetration by US military of Somalia's starvation-ridden interior. It marked the start of the second phase of Operation Restore Hope. Commandos at the airport were last night preparing for the arrival of US Marine reconnaissance units expected between midnight and 4am local

Up to 700 US and French soldiers will take the town by road in a 70-vehicle armoured convov and by air from Cobra combat helicopters at twilight.

As many as 100 people a day are dying in Baidoa. The decrepit City of Death", at the centre of the starvation zone, is a critical objective for the US-led operation to provide security for the delivery of relief to up to 2m. Somalis at risk of death by star-

Gunmen, who have been on an orgy of looting and violence in the past week, huddled in groups near ramshackle tea stalls in Baidoa late yesterday afternoon discussing if they should leave

Isolated gunshots echoed throughout the day as gunmen

The seizure of the airport came hours after Mr Robert Oakley, the US special envoy in Somalia, held final talks in Baidoa with local clan-faction leaders and aid workers. Mr Oakley told clan leaders and Somali elders that the US forces were coming simdeliver food to the starving He urged them to co-operate with the troops in their policing

aid workers Mr Oakley said the soldiers had been making sensible preparations for the opera-tion. "We are not anticipating a military threat here but as always we are coming prepared," Mr Oakley said before returning to the airport in a battered allterrain vehicle with armed gun-

'death city'

A SMALL contingent of US

In a meeting with dispirited men sitting on the roof.

foreigners to stay away from the airport and said: "After midnight be very careful until troops get settled down."

single orders to be announced in the current two-year air transemploys about 7,000 people

yesterday gave a boost to the civil aircraft industry. The bulk of the package of 82

Airbus said the decision to

McDonnell Douglas, the other

big US commercial aircraft man-

The \$4.1bn package announced

Japanese farmers protest in Tokyo against suggestions that rice could be imported

US, France call for UN to enforce Bosnia no-fly zone

By Robert Mauthner in Stockholm, Michael Littlejohns in New York and David White in London

THE US and France pressed ahead yesterday with efforts to formulate a United Nations Security Council resolution authorising military action to enforce a no-fly zone over Bosnia-

Hercegovena. It emerged yesterday that Mr Boutros Boutros-Ghali, secretary-general of the United Nations, had asked Nato to draw up plans for further military action, focusing on enforcement

of the no-fly zone. Nato headquarters refused to comment on Mr Boutros-Ghali's letter to Mr Manfred Wörner, the alliance secretary general. It followed a series of recent

contacts between the two men over possible responses to the

conflict. Nato military authorities have already been working on what a senior diplomat called "limited and fairly specific contingency

could investigate alleged corrup-

tion charges against him. Mr Craxi's statement said: "I believe

this initiative by the prosecutor's

office in Milan is wholly without

foundation and is no less than an

attack against my person and

whose purpose is political rather than that of justice." He went on

to say he took full responsibility

Continued from Page 1

military planning" for former

Yugoslavia. enforcement of the flying ban. possible moves to establish safe areas for Bosnian Moslems and ways of containing any spread of the conflict into the Serbian region of Kosovo.

Britain remained reluctant to endorse the use of military measures to enforce a UN ban on military flights over Bosnia, in spite of mounting pressure in

favour of such a step. In London, Mr John Major, the British prime minister, expressed reservations about the enforce ment but indicated that Britain would not block such a move by other countries at the UN.

Mr Major, who earlier reviewed Britain's stance on Bosnia at a meeting with cabinet colleagues. said enforcing a no-fly zone could hamper humanitarian efforts and threaten UK troops. But he added: "We have never ruled out a possible need to enforce the

The British reservations were

intention of stepping down from

the party leadership although one third of the party is in open

The weakening of the party, a

pillar of the four-party ruling coalition, is likely to complicate the position of Mr Giuliano

Amato, the Socialist prime minis-

Yesterday, the lira declined to

revolt against him.

Craxi faces corruption probe | Russian reforms

fringe of the 52-nation Conference

on Security and Co-operation in

Europe in Stockholm between Mr

Douglas Hurd, the foreign secre-

tary, and his US and French col-

leagues, Mr Lawrence Eaglebur-

They will, no doubt, be voiced

again at a special one-day confer-

ence on the former Yugoslavia in

Geneva today, at which the fast-deteriorating situation in Bosnia

will be the main item on the

agenda. The conference will be

attended by representatives of 29

countries, 20 of them at foreign

Mr Hurd yesterday made clear that Britain's position was moti-

vated mainly by the desire to

ensure the security of both its 2,400 strong force of UN peace-

keepers in Bosnia and the flow of

humanitarian aid to the Bosnian

Major cautious on increased UK

involvement in Bosnia, Page 8

Editorial comment, Page 12

minister level.

ger and Mr Roland Dumas.

Continued from Page 1

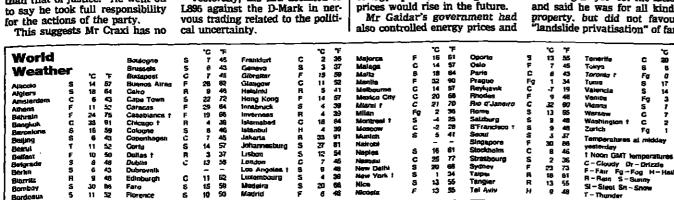
Moslem population.

"The chief issue is to stop the decline in industry" and he added he would need a certain amount of finance for that ~ relegating the possibility of hyperinflation to a category to be "thought about". He said he was a "confident" supporter of controlled energy pices, although coal prices would rise in the future.

Mr Gaidar's government had

Mr Gaidar had told deputies at the congress that he would not raise them for some time. The IMF and the World Bank have pressed for price to rise in fairly rapid stages to world levels to reduce the subsidies paid and

encourage energy saving. The prime minister said he would not freeze prices or wages adding a "yet" for the latter and said he was for all kinds of property. but did not favour a "landslide privatisation" of farms.



THE LEX COLUMN

Cracks in the tunnel

In the tortuous history of disputes between Eurotunnel and its contractors, it has often been hard to distinguish between brinkmanship and irreconcilable disagreement. Yesterday's announcement by TML that negotiations are at a standstill per-haps amounts to little more than a vigorous shaking of the publicity tree.

TML's implicit threat is that if Eurotunnel does not settle terms on the disputed £1.2bn of cost over-runs it will work to rule, delaying the partial opening of the tunnel now forecast for December 1993. Any such postponement would be punitively expensive for Eurotunnel. On some estimates, the bill could amount to £100m a month, pushing the project's break-even point ever further into the distance. The uncertainty would be particularly unwelcome for Euro-tunnel as it ponders how to raise fresh funds when its banking waivers expire

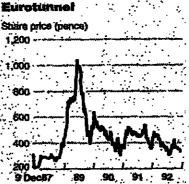
But despite the high stakes, Eurotunnel's pugnacious chairman, Sir Alastair Morton, may yet be inclined to call TML's bluff. The value of the contractors' outstanding work is small and TML would not appreciate being identified as the consortium that spoiled the opening party. Given that part of its payment will also be in Eurotunnel shares and loan stock, it hardly makes sense to cause too much disruption. The longer the row, the more the value of Eurotunnel's paper will fall. Contractors already complain about the uncertain worth of Eurotunnel's equity. Sadly, shareholders must know exactly how they feel. Yesterday's spat wiped a further 3 per cent off the value of their investment.

UK economy

Yesterday's economic data leave plenty of room for argument about what is actually happening to the economy. Manufacturing output in October was better than the market expected, retail trade in November, as measured by the Confederation of British Industry survey, worse. There is less room for uncertainty about November's producer price data. Input prices jumped a seasonally-adjusted 2.4 per cent, their largest monthly gain for 16 years.

It is, of course, impossible to be sure how much devaluation effect is yet to be felt on input prices, but the pace of acceleration since August's 0.7 per cent fall clearly contradicts the claim that Black Wednesday would have minimal inflationary impact. How

FT-SE Index: 2717.9 (-3.9)



long it will take for producers to pass on the extra costs is equally uncertain. Margin pressure may be alleviated by lower unit labour costs, but industry's patience is likely to be thin. A slightly disturbing feature of yesterday's figures is the 0.6 per cent rise in output prices of food, drink and tobacco. It looks as though manufacturers are already preparing to pass on green pound devaluation costs before they

are fully feit next year.

Today's retail sales figures may shed more light on the real economy especially since survey data have erred on the side of pessimism recently. It would be rash, though, to set too much store by the manufacturing output data. The monthly figures are erratic. Taking the last quarter as a whole, manufacturing output has fallen 0.2 per cent, which hardly constitutes a recovery. Indeed the nagging worry remains that incipient inflation may limit the government's ability to inject life into a disappointing recovery. That would do little for the equity market from the middle of 1993 when the authorities will also be issuing gilts hand over fist.

Electricity

The regional electricity companies have notably failed to gain ground since the regulator last week ruled in favour of the dash for gas. Southern Electric has an interest in three gasfired power projects, yet its shares have fallen since Professor Littlechild went public. Since Southern's interim figures yesterday were nothing but solid, the obvious conclusion is that the good news was already in the price. Having drawn the scope of his

inquiry so tightly, Professor Little-child was indeed less likely to come down hard on Southern for backing gas. The nagging concern though, is that the sector has only cleared the first hurdle of an arduous regulatory

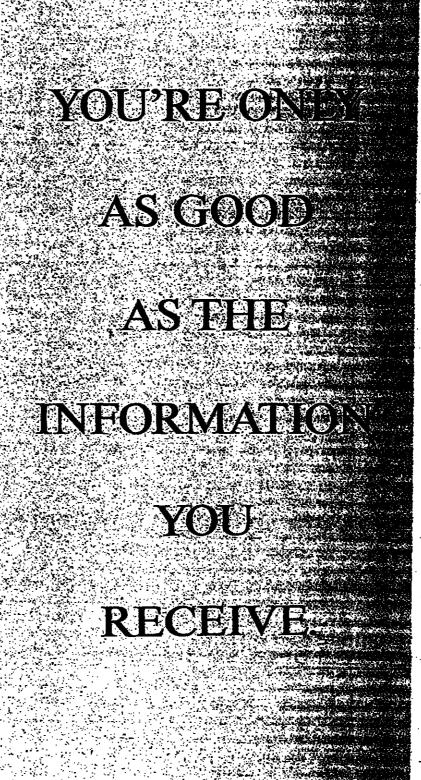
The government's energy review could still override the regulator's conclusions. That would make Professor Littlechild's position difficult, to say the least Assuming the white paper leaves the regional companies unscathed, a review of electricity supply is not more than a few weeks behind. With the more important distribution review due to start in the autumn and only a sketchy outline of the regulator's thinking on the table, the market might be forgiven for keep-

ing the champagne on ice. Since Professor Littlechild is investigating the generators' prices both in the proposed supply contracts and in the electricity pool, National Power and PowerGen still look more exposed The promise of 12 per cent dividend growth from the regional companies this year and yields comfortably above the market average allow for a fair degree of risk. If too many regulatory chickens come home to roost, though, Welsh Water's decision to take profits on its South Wales Electricity holding yesterday may look rather canny.

Vodafone

At first glance the 2 per cent rise in Vodafone's shares looks an excessive reaction to its Australian licence. The service will cost £200m to develop and is unlikely to show a profit before 1996. Perhaps the market just likes to see the company diversifying. Doubtless it would be even more pleased if a German licence was granted too. though that will not follow automatically from the Australian award.

Without diversification, Vodasone would have no long-term hope of maintaining the cracking growth it has established in the UK. In theory it should not falter in the short term. Price adjustments to attract low volmne users have generated extra revenues though not much extra profit. and Vodafone is geared to economic recovery. But competitive price cutting could revive after Christmas, and the regulator's eye may eventually be caught by Vodafone's extraordinary returns. Diversification provides some protection against these risks, but investors might remember the slow pay-off before marking the shares up much further.



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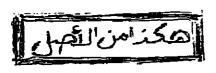
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OTHE FINANCIAL TIMES LIMITED 1992

Wednesday December 16 1992



Designed for Business

BP to cut

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INSIDE

Petrofina sale in jeopardy

Plans by Petrofina, Belgium's oil company, for the \$500m sale of half of its US refining and marketing assets to private Saudi Arabian investors could be jeopardised by the reluctance of the Saudi government to sanction the deal. If the Saudi deal does not go ahead by the end of the year Petrofina may put its paints division up for sale to repay some of its debt.

Triplex Lloyd rises 6%

Triplex Lloyd, the UK industrial engineering group, increased interim pre-tax profits by 6 per cent to £3.3m (\$5.2m) in spite of a deterior ating performance by its building products divi-

Burst of energy in Spain

Spain : 240 -

The Madrid market has suddenly been ener-gised by a financial nity desperate to end the year as little out of pocket as possible. The Madrid general index may still be down 13 per cent on the year but in the last few weeks it has come bounding back from the low 180s if autumn currency crisis to close at 215.31 yes-

Alcohol in the wrong spirit



German landowners producing alcohol from their own distilleries are being paid four times the market rate. This flies in the face of the European single market and must end, according to the Alcohol Free Trade Association.

Russian vocabulary

As Russia opens up to the outside world and strives towards a market system, so its banks are waking up to the potential threat posed by foreign institutions. Russia has 1,550 so-called banks, but only 200 of them are big enough to be worthy of the name, according to a study of Russian banking. Page 20

Under the Salomon shadow

Phibro Energy, the US oil trading and refining company, briefly emerged recently from the shadow of its parent, the Wall Street securities house Salomon, to announce a restructuring. The changes involve taking Phibro out of the business of making markets in physical oil products and merging the remaining trading and refining operations into Salomon. Page 17

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ASW	75	+	10	Stanhoos Pro	18	+	3
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Eurotunnel offer rejected by contractors

By Richard Gourlay in London

TRANSMANCHE Link, the group of contractors building the Channel tunnel, yesterday brought into the open the simmering row over payments from Eurotunnel and implied that completion of Europe's largest construction project could be further delayed. A statement issued by TML's 10 contractor members said Eurotunnel had made an inadequate offer of £1,2bn (\$1,9bn) to settle the cost overrun on fixed equip-

Yesterday's announcements

represent a further shake-up at IBM which only 12 months ago

reorganised its operations into 13

employees next year, resulting in a \$6bn charge against fourth-

quarter earnings. This comes on top of the \$5.4bn charges that the

company already planned to take

this year to pay for other cost-

cutting moves, including 40,000 job cuts. IBM employs about

The company will also shift

resources to services, software

and client-server computing and

other growth segments of the computer market and away from

its traditional areas of leadership

including mainframe computers

data storage products and semi-

Revising these plans, IBM said it will give its business units

greater control over their manufacturing operations and their

facilities, with the "freedom to do what they need to do", such as

cutting employment, reducing

plant capacity or setting up their

Some of those business units

may eventually sell their own stock, IBM said. The latest cuts

were forced by "declining sales of

computer hardware, coupled with

rapid improvements in technol-

ogy and productivity, [which] have reduced our capacity

The announcement by the

world's largest computer manu-

facturer underscores the prob-

lems facing many multinational

manufacturers as they confront

economic slowdowns in North

America, Europe and Japan. However, IBM also faces prob-

lems that are unique to the com-

puter industry which is in the

By Nicholas Denton and Halg Simonian in Budapest

ALITALIA, Italy's state airline,

yesterday cast aside its long-de-clared policy of avoiding alli-

ances and equity stakes in other

airlines by buying a 30 per cent

share in Maley, the Hungarian

A further 5 per cent is being

bought by Simest, a recently cre-

ated Italian state agency to pro-

mote investment abroad. Togeth-

er the consortium is paying \$77m

for a combined 35 per cent share. The value of the deal to Malev

has been enhanced by Alitalia's

undertaking to transfer routes to

the Hungarian airline, increasing the total value of the transaction

national carrier.

Akers, IBM chairman.

own sales forces.

300.000 worldwide.

semi-autonomous operations.

ment and fitting out of the tun-nel. In particular, Eurotunnel's offer that about £200m of this should be paid with instruments such as shares, bonds and convertible instruments was unacceptable.

The statement, a year before the Channel tunnel is scheduled to operate, suggests that lack of co-operation between contractors and Eurotunnel could further delay the opening until the first quarter of 1994. Eurotunnel's shares closed down 11p at 329p.

Admission of the disagreement comes after events had been moving against the TML contractors. One observer said: "TML is running out of the main weapon it has, which is time."

Last month the committee of 220 creditor banks agreed to allow Eurotunnel to continue drawing down on its £6.8bn facility until after May 1994, when even the greatest pessimists expect the tunnel to be open.

The longer the row continues, however, the less likely is a phased introduction of tunnel operations allowing goods trains to begin before passenger operations. The two sides have been negotiating this contract modification, which could favour Eurotunnel by hastening reve-

nue-earning. TML's main concern appears to be the composition of the £1.2bn payment. It believes that since Eurotunnel's offer in the summer, the cash element has been reduced and the non-cash element has increased. Eurotunnel

accepts this but says it falls within the August offer. Both sides stress they are willing to continue talking and work on the project is continuing. TML's joint chairmen said that an early settiement would "allow revenueearning services to commence as

soon as possible". Eurotunnel said its priority was to complete the project as early as already agreed possible "so that it can open for revenue service in December 1993". Lex, Page 14; Market, Page 29

according to industry analysts.

Until now, IBM's mainframe operations had been sacrosanct.

Now, the company is specifically

targeting the underperforming

unit for cuts. Similarly, the data

storage business unit, called

Adstar, which produces large

capacity disk-drives for main-

frame computers, will have to cut

worldwide in London

BRITISH Petroleum yesterday announced it would cut a further 9,000 jobs worldwide by 1995. increasing an earlier figure for expected job losses to a total of 20,500, or 20 per cent of the

The cuts are in addition to previously announced plans to lose 11,500 jobs by early 1993.

The job losses are part of a cost-cutting drive launched by chairman this year. The company aims to cut Slbn from annual operating costs by 1995.

to be lost through the divest-ment of peripheral businesses. The latest reductions will come

its operations. Semiconductors, one of the most capital intensive segments of IBM's operations, will also be cut for the first time, indicating that IBM may rely more in the future upon outside suppliers of

components. The cost and expense reductions will be focused on capital spending, development and sales and general and administrative nses, IBM said.

verall product development spending will be reduced by approximately \$1bn in 1993 and capital spending, which has already been reduced by about \$1bn this year, will continue to be cut.

The company also expects sales, general and administrative expenses to decline by about

\$1bn next year.
"The actions we are announcing demonstrate IBM's continuing resolve to deal aggressively with the difficult transition that is occurring in the computer industry. The result will be a stronger and more prosperous IBM." Mr Akers concluded.

In the short term, however, ness and economic conditions to continue into 1993 and that fourth-quarter results will be below expectations. It may also have to cut its \$4.84-a-share dividend.

Any such cut would be sure to further depress IBM's stock price further, which yesterday hit a 10year low, sinking \$4% to trade at \$581/4 yesterday afternoon.

Louise Kehoe analyses the latest cuts at IBM and why investors welcome them However, deteriorating sales of mainframe computers in particular, have masked the strengthening performance of IBM's midrange computer, computer workstation, service and software businesses over the past year.

The company said yesterday is had set a target to make 5,000 direct job cuts over the next two years, with a further 4,000 jobs

mainly from the downstream part of the business - refining operations and petrol stations where competition and low oil products prices have squeezed margins. But BP also indicated that further cuts in its corporate staff will be made. BP has suffered from increasing levels of debts and a huge

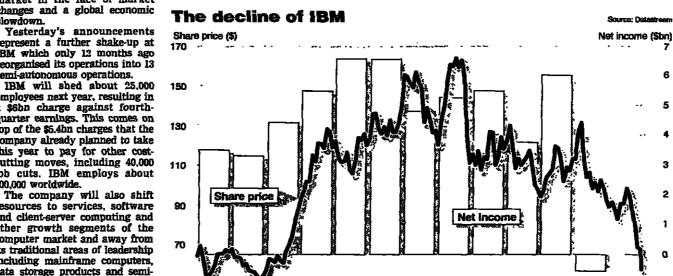
net cash outflow to fund its ambitious oil exploration programme. The company is expected to incur a loss of around £500m this year on a replacement cost basis, partly as a result of provisions made for job cuts mid-year. The company's debt-to-equity

ratio is at 87 per cent and, in spite of the dividend cut earlier this year, analysts believe it could rise above 90 per cent by the end of the year. But Mr Simon hopes that by

saving \$1bn a year, he can add \$600m to annual profits by 1995. He hopes to cut \$400m from refining and marketing costs, \$300m from the corporate centre, \$200m from exploration and pro-duction and \$100m from chemicals. He also hopes to boost profits by a further \$400m from reduced advanced corporation tax tax payments and improved

it was closing a 50,000 tonne a year butadiene plant with the loss of 40 jobs at its Baglan Bay site in South Wales, adds Paul Abrahams. Dow Chemical announced yesterday it was mothballing a 20,000 tonue a year polystyrene plant in Bilbao and shutting a 14,000 tonne a year latex unit from May. London Stock Exchange, Page 29

ith yet another round of large-scale inh Big Blue turns mean and and manufacturing consolidation, International Busilean to survive recession ness Machines, is desperately struggling to stem the erosion of its share of the world computer market in the face of market changes and a global economic



middle of a transition from mainframe-based centralised information systems to "client-server" networks of desktop computers. Yet the severity of IBM's prob-

lems and the scale of its cuts is shocking and even drew comment from President-elect Mr Bill Clinton, who was chairing an economic conference in Little Rock. Arkansas. He said IBM's cuts illustrated

faced by US manufacturers. In particular, he expressed dismay that IBM will slash its product development spending. "Product development will be

cut by \$1bn - the exact thing we don't want to be cutting." he

Investors were, however,

seven representatives on its supervisory board. The Italian carrier will be

"deeply involved" in strategic

decisions taken by its Hungarian

partner. However, Mr Andras

Pakay. Maley managing director. said important strategic decisions

would be taken jointly. Malev

will also retain its national iden-

The Italian offer easily beats a

rival bid from Lufthansa, the

German flag-carrier, which was prepared to pay \$59m. Only \$9m-\$10m of that would have been in

cash and an association with

Lufthansa would have almost certainly quashed Maley's ambi-

tions to develop inter-continental

board of directors to take action to put the company on a more profitable track," said Mr DeWitt Bowman, chief investment officer of the California Public Employees Retirement System (Calpers). "Frankly the situation is similar to General Motors," he said, "We prefer to see companies to address problems before drastic action is needed, but if it comes to that, then so be it.

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82 83 84 85 86 87 88 89

the latest round of cuts at IBM are sufficient," he added. Like many Wall Street analysts, Calpers is far from certain that the blood-letting is over.

In the strongest suggestion to date that IBM may abandon its "no lay-offs" policy, Mr Akers said that if business conditions do not improve significantly, "it

ern Europe's most profitable air-

line. The company's 1m passen-

gers last year contributed to sales

Alitalia, west Europe's fourth

largest airline with more than

17m passengers, lost L35bn

(\$25m) in 1991 on sales of almost

finance the 15 per cent initial

payment on two new extended

Maley will use the proceeds to

of \$315m.

L6,000bn.

pleased by IBM's announcement. do not improve significantly, "it "We have been urging IBM's is likely that some business units

reductions in its manufacturing capacity, concentrating primarily upon the company's mainframe. data-storage and semiconductor business units. These are IBM's traditional areas of strength and are the underpinnings of its claims to being a technology leader.

90

91 92

will be unable to maintain full

Although his statement has created fear and uncertainty

throughout IBM, it was welcome

by analysts who have long critic-ised IBM for not taking more

decisive action to reduce its

workforce. IBM said the 1993

workforce cuts will come from

manufacturing and development

organisations as well as support

vices units. It said it will also make further

employment in 1993".

Alitalia-led consortium buys 35% stake in Malev for \$77m hub alongside Rome and Milan. Alitalia will also gradually transfer to Malev exclusive rights to fly between Italy and Hungary. The two companies gave no estimate for the impact on sales and earnings of the tie-up. Mal-ev's pre-tax earnings of more than \$28m last year made it east



the Toshiba GTO Thyristor was meant to run. And run it does on many European railways. The GTO Thyristor is a small, lightweight silicon wafer that has the huge task of converting energy efficiently - which it does - on the

TGV, the ICE and even the Transmanche super trains. It is just one way Toshiba semiconductor technology is helping people keep their ideas on the right track. And not just as a flight of fancy.

> In Touch with Tomorrow TOSHIBA

Alitalia and Maley intend to range Boeing 767 aircraft due for to around \$100m, bankers said. Alitalia will gain three seats on integrate their services starting delivery next year and for further computerisation. It operates 18 Maley's nine-member board as from the summer 1993 timetable Russian-made Tupelov jets. well as appointing two of the and develop Budapest as a third

Insurers seek help on Paris property

By William Dawkins in Paris

FRENCH insurers are calling on the government for tax breaks to help them through the property crisis, less than a week after banks appealed for state assis-

tance over bad property loans. The request comes from the Fédération Française des Sociétés d'Assurance (FFSA), which estimates its members have a combined property investment portfolio worth FFr300bn (\$56.6bn), on top of the FFr250bn-FFr500bn property loans made by banks. some of which are also insurance

company subsidiaries. Average rentals on Parisian property have fallen 20 per cent during the last three years, provoking heavy provisions by banks with loans to property

convention of its members, comes when the government is preparing measures to support the property industry. Mr Michel Sapin, finance minister, said the measures would be announced in the next few days.

The FFSA has called for investors to be excused capital gains tax on property providing that the capital gains are reinvested in building rented housing or offices for which planning per-mission was obtained before 1993.

Among its other ideas are a tax exempt property savings plan and a national database on property prices to help investors avoid price explosions such as that which preceded the decline in property values.

Mr Sapin is more interested in measures to support the construction industry, an important The FFSA's appeal, made at a employer, than in bailing out

institutional investors or property developers, said property analysts. This reflects the influence of Mr Pierre Bérégovoy, prime minister, who is understood to be reluctant to do any thing that might be misinterpreted as bailing out property speculators.

Any proposals could well take the form of big infrastructure projects as envisaged in the European growth initiative, agreed at the Edinburgh summit. Mr Sapin told a dinner held by

the Association Française des Banques: "Contrary to certain foreign experiences, one should treat property assets as long-term holdings and avoid the collapse in prices which could be harmful to the financial system." The crisis would hit banks but not threaten their financial "foundstions", he argued.

INTERNATIONAL COMPANIES AND FINANCE

Nedlloyd under further pressure from Hagen

By Ronald van de Krol In Amsterdam

NEDLLOYD, the Dutch transport group, has come under renewed pressure from Mr Torstein Hagen, the dissident shareholder who forced the company to appoint him to its supervisory board earlier

He is seeking an extraordinary shareholders' meeting to make changes which would amount to a lifting of some of its anti-takeover defences.

DNO, the Norwegian-based oil company of which Mr Hagen is chairman, sald yesterday it wanted Nedlloyd to end the restrictions on voting rights; to abolish its priority shares; and to change the system of electing its supervisory board, all of which are common mechanisms in the Netherlands to protect a company from outside influences or takeover.

Nedlloyd said it would consider DNO's request to call a

meeting.
Mr Hagen's company said the proposed changes were designed to make Nedlloyd more responsive to shareholders. A company official declined to elaborate, but said Mr Hagen would hold a press conference today in Oslo.

"DNO is concerned about Nedlloyd's financial performance and the lack of action needed to make sure that an

adequate return is being made on the company's significant

It described Mr Hagen as feeling "frustrated", after attending only a couple of Nedlloyd supervisory board meetings, about his inability to make a "constructive impact". It said the root of Nedlloyd's problems was its self-perpetuating supervisory board, which, similar to other big Dutch companies, appoints its

own members. DNO wants the supervisory board to be elected by share-holders. "Any refusal by the current supervisory board to go along with this proposal can only be seen as an effort by this body to protect its own and management's entrenched positions," it said.

DNO said its proposals were supported by six other large shareholders, but it did not name them.

Mr Hagen, who is believed to control up to 25 per cent of Nedlloyd's shares, has twice waged battle with the company, culminating in his appointment to the supervisory

He has previously clashed with Nedlloyd on the speed of its divestment programme. Book profits from divestments enabled Nedlloyd to post a profit in 1991, but the company has said it will swing into loss in 1992, due in part to a lack of big divestments this year.

Profits decline at Danisco

PRE-TAX PROFITS at Danisco, the Danish distilling, sugar and packaging group, were down at the half-year to October 31 to DKr323m (\$53.8m) from DKr468m, writes Hilary Barnes in Copenhagen.

The group blamed "exceptionally difficult economic conditions," including weak international demand and the appreciation of the krone against a number of currencies which have devalued recently.

The group's half-year sales were up slightly from DKr6.43bn to DKr6.47bn. Prof-

its before financial items and minority shares fell by only DKr6m to DKr495m. Investment in the half year increased from DKr687m to DKr853m. The group said second-half

but lower than last year. • Lauritzen Group, the shipping and shipbuilding business, said it would break even in the current year after difficult conditions in international shipping and offshore drilling. The group made a pre-tax profit of DKr588m in 1991 on turnover of DKr8.15bn.

pre-tax profits would be higher,

Ferranti cuts pre-tax losses back to £10.9m

By Angus Foster in London

FERRANTI International, the electronics and defence comnany which came close to collapse after the 1989 discovery of large fraud in its US subsidlary, yesterday announced reduced losses but said its markets remained tough. Mr Eugene Anderson, chair-

man, said that following the company's restructuring in the last two years it needed orders to generate cash. "We have bids out for about £400m (\$620m) of business. If we win only £100m, that would totally transform us. We're at a very critical stage," he said.

Pre-tax losses improved from £28.8m to £10.9m in the six months to September 30. This resulted from reduced operating losses and no exceptional items, which cost £11.3m last time

Ferranti's shares slipped 1¼p to 8¾p, partly because of uncertainty about when some large Middle Eastern defence contracts would be awarded. One analyst said: "If they can pull in a few of those contracts in the second half, it would greatly help cash-flow and their chances of finding an industrial partner."

Turnover fell from £212.4m to £109.4m. Most of the reduction stemmed from disposals, which last year included the sale of Ferranti's missile business to GEC. The rest resulted from recession and falling defence expenditure. Outstanding orders fell from £272.1m at year-end to £246.Im. Litigation is continuing over

the fraud, which involved the US subsidiary International Signal and Control. It cost Ferranti about £600m. Ferranti has recovered about £42m. mainly from ISC's auditor, KPMG Peat Marwick, and it does not expect further significant recoveries. Mr James Guerin, former chairman of Ferranti's net borrowings

ISC, was jailed for 15 years. fell more than £20m to £74.1m but still exceeded shareholders' funds of £62.2m. A £60m term loan until September is likely to be renegotiated early next year, Mr Anderson said.

Petrofina deal with Saudi investors in jeopardy

By Deborah Hargreaves

PLANS by Petrofina Relgium's oil company, for the \$500m sale of half of its US refining and marketing assets to private Saudi Arabian investors could be jeopardised by the reluc-tance of the Saudi government to sanction the deal.

If the Saudi deal does not go ahead by the end of the year a deadline set by the company it raises the possibility Petrolina may put its paints division up for sale in order to repay some of its debt, accor-

ding to industry analysts. Petrofina's 86 per cent-owned US subsidiary, Fina, has been involved in talks with the Saudi investors for about 18 months. The sale would include 50 per cent of the com-

pany's two refineries at Port Arthur and Big Spring in Texas and its chain of petrol stations and chemicals plants. Petrofina does not produce

enough oil in the US to service its refining operations and the rationale behind the sale is that Saudi Arabia would provide crude oil to feed the refineries. However, the company is still not sure whether the deal will go ahead. Petrofina, which announced

to significantly lower profit forecasts, has seen its debt to equity ratio increase to just over 50 per cent this year.

on Monday it would halve its

dividend pay out this year due

The company's shares fell sharply on the Brussels bourse yesterday as investors expressed their surprise at the extent of the dividend cut from Petrofina · Share orice (BFr) its businesses.

12,000 10,000 1992

last year's BFr561 a share. The stock recovered slightly during the afternoon to close down BFr500 at BFr7.490. Mr François Cornelis, Petrofina's chief executive officer

Scorce: Datastream

said on Monday the company expected to see sharply lower profits for this year following the effect of the recession on

The company indicated yesterday that 1993 would also be an extremely difficult year and it was not expecting to see an pean economy until towards the end of next year.

Mr David Stedman, oil equity

analyst at Daiwa Europe. expects the company to post a net profit of BF17.3bn (\$226m) this year, less than half last year's level of BFr16.3bn. Petrofina's refining, marketing and chemicals assets are

concentrated in Europe and the US which have borne the brunt of the recession. The company has almost no exposure to the Far East - where

and paper analyst with Nesbitt

Thomson, Toronto, said that

the terms were reasonable and

they were in line with industry

The enlarged FCC will have a favourable debt-equity ratio

"The mills are in excellent

"The new FCC will be ready

shape and both companies

have already shed non profit-

for the upturn in 1993-4," he

of 30-70.

able assets.

throughout the recession in Europe and the US.

The company announced it was slashing its capital expenditure from BFr52bn this year to BFr40bn next year, but it would continue to focus on its core investments, including the completion of deep water facilities at its Antwerp refinery and further development

plans in the North Sea. Petrofina faces potentially large investment costs for its 30 per cent stake in Norway's Ekofisk field where the authorities have called for safety standards to be improved. This could involve commissioning a new oil platform at a cost of over \$1bn to the field's part-

World stockmarkets.

GE Lighting

FCL to merge Canadian pulp, paper units

By Robert Gibbens in

FLETCHER Challenge, the international forest products, energy and construction group based in New Zealand, is merging its two Canadian pulp and paper units in a deal which is valued at nearly C\$900m (US\$750m).

The result will be a net C\$177m cash transfer from the enlarged Canadian company to the parent in New Zealand FCL will continue to hold 72

per cent of the enlarged Fletcher Challenge Canada, which will have annual sales of more than C\$1.5bn and rank among the top four Canadian integrated forest products com-

Total capacity will be about 1.4m tonnes of newsprint and coated papers and 400,000 tonnes of pulp annually.

The timber side is profitable

now, but the pulp and paper operations continue near break-even pending recovery in North American market FCC officials in Vancouver

would have sales potential of far more than C\$2bn a year once North American prices returned to normal. The new company will

said that the merged company

include a new quoted paper mill in the US.

The merger is proposed in three steps and will be put before FCC shareholders in January

• FCC buys the assets of Crown Forest Industries, a Vancouver Island pulp and paper and timber producer from the New Zealand parent for C\$897m. FCC has been managing Crown Forest for the parent on a fee basis since

 FCC makes a public equity issue to raise about C\$177m to be paid to the parent in part satisfaction of the purchase price for Crown Forest.

ioins forces • FCL will finance the balance with Hitachi of the purchase price partly by taking up FCC equity to main tain its interest at 72 per cent. Mr Raymond Kilroy, pulp

By Nikki Tait In New York

GE LIGHTING, part of General Electric Company of the US, is linking with Japan's Hitachi to market, sell and distribute lighting equipment in Japan.
The joint venture will give
GE access to Hitachi's domestic distribution network, and will be used to market GE

products. As a result, the companies claimed, the 50-50 owned venture, to be known as Hitachi GE Lighting, will become a "major" importer of light bulbs

into the Japanese market. It will also be used to market new products aimed at Japanese consumers, principally designed and manufactured

GE Lighting, with annual turnover of around \$3bn, said sales via the venture would probably begin in April.
The US company will merge its existing GE Lighting Japan

subsidiary into the new joint

Mr John Opie, president of GE Lighting, said that the venture gave GE "an opportunity...to enhance significantly our position in the \$2bn Japanese lighting market, which is expanding much faster than the overall world

lighting market.'

Moody's downgrades Volvo Patent granted for herbicide resistant plant

A EUROPEAN Patent Office hearing yesterday confirmed the first patent for a herbicide resistant plant, in a test case with important implications for agrochemical, biotechnology and seeds companies, writes Clive Cookson, Science Editor. The patent was granted to Plant Genetics Systems of

broad-spectrum weedkiller

made by Hoechst of Germany.

MOODY'S Investors Service, the US credit rating agency, has downgraded the

Prime-2 from Prime-1. Moody's acknowledged that Volvo had undertaken an aggressive cost-reduction Belgium and Biogen of the US programme. for plants genetically engineered to resist Basta, a

commercial paper ratings of Volvo, the Swedish motor vehicle manufacturer, to

However, the rating agency said that Volvo still had excess production capacity and a cost structure which would prevent

a return to strong profitability until demand picked up

significantly. Moody's said that the downgrade reflected the outlook for continued pressure on Volvo's earnings performance and the potential for further weakness in the company's debt-protection measurements.

Moody's added that it also reflected the erosion of Volvo's financial flexibility caused by the decline in the value of its non-strategic investments outside the automotive

industry..

Rémy-Cointreau up at FFr104m in first half

French drinks group, yesterday announced a slight

REMY-COINTREAU, the

increase in net profits for the first half of this year, writes Alice Rawsthorn in

The group, which is best known for Cointreau, its orange-tasting liqueur, saw net profits increase to FFr103.8m (\$19.5m) in the six months to September 30 from FFr101.4m in the same period



Dewe Rogerson

A SPECIAL CONFERENCE

PRIVATISATION IN ITALY

PROFESSOR PIERO BARUCCI Treasury Minister

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RICHARD PORTES Director, Centre for Economic Policy Research, London

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> GIACOMO VACIAGO

Economic Advisor to the Italian Prime Minister Economics Professor, Università Cattolica, Milan Fellow, Christ Church, Oxford

> **ATTILIO VENTURA** Chairman, Milan Stock Exchange

GIANNI LOCATELLI Editor of II Sole-24 Ore, Italy's leading business newspaper

The conference will be introduced by

LONDON 12TH JANUARY 1993, 9.15 FOR 9.30AM MERCHANT TAYLORS' HALL, 30 THREADNEEDLE STREET LONDON EC2

For further information: Lina Arthur **Dewe Rogerson** 31/2 London Wall Buildings London EC2M 5SY Tel: 071 638 9571



in association with the Ministero dell'Agricoltura e delle Foreste

The Öresund Link

Under a Treaty of March 23, 1991, the Government of Denmark and the Government of Sweden have agreed to have constructed a 16 kilometres, toll-funded, fixed link for rail and road traffic across the Sound between Copenhagen in Denmark and Malmo in Sweden, called the Oresund Link. Pursuant to the Treaty, two state or, ned limited liability companies have been formed: A/S Oresundsförbindelsen, Copenhagen, Denmark and Sweden. The Banka Broforbindelsen SVEDAB AB, Malmo, Sweden. These two companies will be responsible for the construction and operation of the necessary landworks and connections in Denmark and Sweden, respectively, and bave, through a Consortium Agreement, entered into on January 27, 1992, formed a joint-venture, called the Oresundskonsortiet, which shall own and be responsible for i a the construction and operation of the Oresund I ink

ADVERTISEMENT FOR PRE-QUALIFICATION OF CONSULTANTS

The construction of the Oresund Link is planned to start in 1993, and the Link is planned to be completed

and opened for traffic in 1999. The construction of the Öresund Link will be subject to international tendering and is planned to be

divided into the following projects:

 Dredging and reclamation Immersed tunnel under the Drogden Channel

► Low level bridge South of Saltholm

High level bridge across the Flinte and Trindel Channels

 Rail and road installations Most of the works will be contracted on a design and

construct basis.

Invitation to pre-qualification The Öresundskonsortiet (the "Client") hereby invites consultants to participate in a pre-qualification procedure for the selection of consultants to submit tenders for the appointment of an experienced and competent consultant with appropriate resources for (a) the preparation of the conceptual design for the Oresund Link and (b) the rendering of engineering and other services to the Client during the tendering

and construction phases. Consultants interested in participating in the prequalification procedure are requested to submit their expression of interest, individually or as a part of a group of consultants, and to obtain a copy of the Memorandum for Pre-Qualification and a Pre-Qualification Form by writing to:

Att: P. Lundhus

Ref: Prequalification Bnx 4044 S-203 11 Malmo Sweden Telephane: + 46-40-306565 Telefax: + 46-10-300021

Att. P. Lundhus

Att: P. Lundhus Ref: Prequalification P.O. Vester Sögade 10 DK-1601 Copenhagen Denmark Telephone: + 45-33-143200 Telefax: + 45-33-935204 Att: P. I.undhus

It may be advisable for international consultants to obtain necessary information and knowledge about relevant conditions in Denmark and Sweden, Further, it is anticipated that all consultants will liaise or cooperate with bridge architects with high competence

Pre-Qualification Forms with supporting information and documents shall be submitted to the Client. at one of the addresses set out above, no later than January 25, 1993 at 12.00 hours local time.

The Client intends to invite at least live consult-

ants or groups of consultants to submit tenders.

Invitation of selected consultants It is planned that the Client on February 1, 1993 will simultaneously invite the selected consultants or groups of consultants to submit their tenders.

The final date of receipt of tenders is at present anticipated to be May 3, 1993.

The terms and conditions of the tendering procedure will be set out in the tender documents. All documents submitted by consultants or groups of

consultants in relation to the pre-qualification and tendering procedures must be in English.

Possible questions should be forwarded in writing to the Managing Director & CEO Mr Jan Danielson, at the addresses set out above.



ORESUNDS-KONSORTIET

INTERNATIONAL COMPANIES AND FINANCE

price war bites

By Nikki Tait in New York

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GERBER Products, the US baby food manufacturer, yesterday warned that "unprecedented competitive activity" meant it was lowering earnings estimates and expected afall in sales volumes this year. Gerber shares plunged \$4% to \$30% before the close.

The company, which has about 70 per cent of the US market, said that until late-November - halfway through its third quarter - it had been expecting volume growth of between 1 and 3 per cent, and earnings in the year to end-March of \$2.06 to \$2.10 a share. Since then, the group said there had been "a dramatic

change in the competitive situ-

Gerber tried to push up prices in October, and this, coupled with a subsequent price-war, left its products looking expensive.

"in one key market, our products were priced at more than twice that of our closest competitor," the company com-

Gerber said it would probably show a fall in volumes during the year of around 3 to 4 per cent, while earnings per share are expected to dip to \$1.80 to \$1.90, from \$1.93 in

Gerber's two main competi tors US are Ralston Purina, via its Beech-Nut subsidiary, and

Monsanto sells stake in Mexican venture

By Alan Friedman in New York

MONSANTO, the US chemicals group, said yesterday it had agreed to sell its 40 per cent stake in Grupo IRSA, a joint venture commodity chemicals company in Mexico.

Financial terms were not disclosed, but it is understood Monsanto will receive about \$50m for its shareholding and the sale will occur before yearend. The buyer is DESC Sociedad de Fomento Industrial. Monsanto's partner in the Mexican venture and the bolder of

60 per cent of its equity.

The Mexican joint venture, which was formed in 1971, has about \$400m of annual reve-

Mr Robert Reynolds, a Mon-santo vice-president and managing director for Latin Amer ica, said changes in Monsanto's worldwide product portfolio had led to the decision.

Mr Reynolds said Monsanto still had a significant presence in Mexican markets through local subsidiaries, and that co-operation would continue with DESC in some areas.

Last August, Monsanto agreed to sell its Fischer Con trols subsidiary in the US for \$1.275bn. Last month, the company disclosed an extraordinary after-tax charge of \$425m against fourth-quarter earnings, and said it planned to cut 3,200 jobs.

Fedex sees improvement

FEDERAL Express, the Memphis-based delivery company, lifted second-quarter after-tax profits to \$37.9m in the three months to end-November, against \$26.5m a year ago, writes Nikki Tait.

at \$1.96bn, against \$1.94bn. The group's troubled international operations made progress, although they still posted an operating loss of \$37.6m on revenues of \$564.2m, compared with a \$69.6m loss on revenues Revenues were virtually flat of \$651.6m a year earlier.

WOOLWICH

£250,000,000

Floating Rate Notes due 1994

In accordance with the provisions of the Notes, notice is hereby given that the Rate of interest for the three month period ending 11th March, 1993 has been fixed at 7.25% per annum. The interest accruing for such three month period will be £178.77 per £10,000 Bearer Note, and £1,787.67 per £100,000 Bearer Note, on 11th March, 1993 against presentation of Coupon No. 12.



11th December, 1992

London Branch Agent Bank

U.S. \$400,000,000



Santander Financial Issuances Limited

Subordinated Undated Variable Rate Notes with payment of interest subject to the profits of and secured by a subordinated deposit with Banco Santander, S.A.

Notice is hereby given, that for the Interest Period from December 16, 1992 to March 16, 1993 the Notes will carry an interest Rate of 4%% per annum. The amount of interest payable on March 16, 1993 will be U.S. \$2,773.44 per U.S. \$250,000

(Incorporated in Spain with limited liability)

By: The Chase Manhattan Bank, N.A. London, Agent Bank

December 16, 1992



DEVELOPMENT FUND OF ICELAND (FRAMKV/AEMDASJODUR ISLANDS) lished under the laws of the Republic of Iceland)

U.S.\$35.000.000 Floating Rate Notes 1997

Retractable at holders' option in 1995 Notice is hereby given that the Rate of Interest has been fixed at 5.25% and that the interest payable on the relevant Interest Payment Date June 16, 1993 in respect of U.S.\$100,000 nominal of the Notes will be U.S.\$2,654.17.

December 16, 1992 By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANC

The Bear Stearns Companies Inc ion organised under the laws of the State of Delaware, USA)

· U.S. \$200,000,000

Floating Rate Notes due 1994

For the three month period 15th December, 1992 to 15th March, 1993 the Notes will carry an interest rate of 3.8125% per annum with an interest amount of U.S. \$95.31 per U.S. \$10,000 Note payable on 15th March, 1993.

Bankers Trust Company, London

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Agent Bank

Gerber forecasts | Phibro restructuring aims to refine its operations

lower earnings as The Salomon unit is going back to basics by focusing on oil products trading, writes Patrick Harverson

PHIBRO Energy, the US oil trading and refining company, briefly emerged recently from the shadow of its more illustrious parent, the Wall Street securities house Salomon, to

restructuring. The changes involve taking Phibro out of the business of making markets in physical oil products and merging the

remaining trading and refining operations into Salomon. This represents something of a retreat from the oil business for Salomon, which is taking a fourth-quarter pre-tax charge of between \$25m and \$35m to cover the costs of the changes. As recently as May of last year, Mr Andrew Hall, Phibro's

chairman, was discussing ambitious plans. There was talk of building Phibro into an operation worthy of joining the ranks of the leading oil compa-nies, one that was involved in every part of the business from the oil well to the petrol pump. This seemed conceivable in the late 1980s when, due to some astute bets on oil prices and a healthy refining business, Phibro was making huge profits. In 1990, it earned 492m, more than Salomon's

Those ambitions, however, never came close to realisation. An unfavourable shift in oil market conditions (trading companies thrive on volatility but since the end of the Gulf war oil prices have been unusually stable and low), narrowing margins in the oil prodncts trading business, and

marquee bond trading busi-

losses on a risky oil production joint venture in Russia took

In 1991, the company plunged into the red with a \$34m loss. This year has been not much better - in the most announce a significant recent quarter, Phibro reported a pre-tax loss of \$23m.

These problems, coupled with separate, but equally important, upheavals within Salomon's Wall Street business stemming from the August 1991 bond market scandal at its Salomon Brothers unit, convinced Phibro's and its par ent's management that big changes were required.

As Mr Robert Denham, Salomon's chairman, says, the motivation to restructure Phibro came from Mr Hall, who felt Salomon's shareholders would be best served if Phibro handed over the refining and production operations to Salomon, where they would report directly to Mr Denham, and if the company restructured its oil products trading business. This would leave Phibro, and

Mr Hall, to concentrate on trading crude oil, selective oil products, precious metals, pet-rochemicals, other commodities and energy-related derivative products. Mr Hall maintains: "I wanted to devote my attention 100 per cent to our trading business - that's where we get the best returns on our capital."

Phibro, in fact, was getting no return on its capital from its oil products marketmaking operations, which had become increasingly unprofitable as the business became more transparent and competitive.



Trading places: Phibro remains a big player on the exchanges

Mr Hall says: "When you add it all up, the margins of the busi-ness just don't cover the hid-

The separation of Phibro USA, which owns four oil refineries, from Phibro's trading operation is a blow to Mr Hall's hopes that profitable synergies would result from running the two

It is something that Mr Hall appears to have come to terms with some time ago, because the refining business has recently been run from Houston, Texas, as a stand-alone operation with its own small

The future of the refining business is now Mr Denham's responsibility. The Salomon chairman, a lawyer by trade and with no particular experience of the oil husiness says his role is to "think in an economically rational way about strategic decisions" affecting

the operation. Options being considered include joint ventures, a spin-off of the business to shareholders, or an outright sale of the refineries. Mr Denham, however, is in no hurry: There is nothing borribly broken in the business that requires an immediate fix." The question of what to do with Phibro Energy Produc-

SALOMON INC EARNINGS (\$m) YEAR Salomon Brothers Phibro Energy 375 (34) Philipp Brothers (168) 48 Total pre-tax income* 365 788 793 740 Philipp Bros commodity subsidiary is no longer a reportable industry segme

tion, the big joint production venture in Russia known as White Knights, is also now Mr Denham's responsibility. Although White Knights - the argest foreign oil venture in the former Soviet Union - is producing plenty of oil for export, a complicated and unresolved tax problem means Phibro is losing money on what was always a high-risk

operation. The main impact of the Russian venture so far has been to dissuade Phibro from becoming more involved in the production business. Mr Denham says: "I suppose if the White Knights experience had been a super success...that would have encouraged us in the original direction - the thought that White Knights would be the first step towards more

Mr Denham does not expect to spend much time on White Knights; he is happy with the project's management team, and is cautiously optimistic. "I still think that we have a pretty reasonable prospect of getting money out of it." The changes at Phibro should be seen in the wider context of the recent restruct-

uring of its parent, Salomon.

When Mr Warren Buffet, the billionaire investor, took over the chairmanship of Salomon immediately after last year's bond trading scandal, one of his earliest criticisms was that Salomon Inc, the parent company, and Phibro, the oil business, were both run to benefit Salomon Brothers, the Wall Street firm.

'n contrast, Mr Buffet wanted to run the group for the benefit of its shareholders, by having a holding company (Salomon Inc) that acted as a holding company. from Mr Buffet earlier this year, inherited a new management structure that ensured the two subsidiaries were run to benefit the parent company The integration of Phibro

into the parent group is, there-fore, a continuation of Buffet's reforms, which also included Salomon Brothers refocusing on its core businesses As one Wall Street analyst

says of the Phibro restructuring: "Look at it in the context of Salomon's restructuring it's a getting back to basics. Oil refining and production was always a bit out of the way for



SOUTHERN ELECTRIC plc INTERIM ANNOUNCEMENT FOR THE PERIOD | APRIL 1992 TO 30 SEPTEMBER 1992

"OUR PRIORITY IS TO GROW THE BUSINESS AND ITS PROFITABILITY BY EFFECTIVELY REDUCING COSTS, IMPROVING EFFICIENCY AND PROVIDING HIGH QUALITY CUSTOMER SERVICES."

CHAIRMAN'S STATEMENT

FINANCIAL RESULTS

I am pleased to announce that despite the continuing economic recession, electricity sales are holding up wall with growth in units supplied of 3.1% although units distributed were some 0.7% lower compared with the same period last year. This, together with our continuing focus on reducing operating costs, improving customer service and marketing energy efficiency, has contributed to a first half pre-tax profit of £15.3m (HCA), up by 11.7% compared with the first half of 1991/92. Turnover for the six months increased to £760.6m and earnings per share rose by 13.5% to 3.78p.

The Directors have declared an interim dividend of 5.6p (net) per share payable on 22 March 1993 to shareholders on the register at the close of business on 14 January 1993.

THE ELECTRICITY BUSINESS

The growth in unit sales through the Supply business was primarily in the second tier market which accounts for some 7% of total unit sales. Whilst the number of units distributed through our system was marginally down overall, when seasonal factors are taken into account, there was an overall increase of 0.2%.

Compared with the first half of 1991/92, units distributed to the commercial sector increased by 0.6% and industrial units rose by 3.2%. In the domestic sector demand reduced by 4.7%, being significantly affected by the warmer weather that occurred during the first quarter of the year compared with the same period in 1991/92.

In facing the recession our priorities have been to reduce operating costs and to respond to customers' needs through continuous improvements in the quality and range of our customer services. By increasing efficiency, we have reduced manpower in the electricity bus since I April and we expect further reductions during the remainder of the year. We also significantly

reduced our working capital requirements through vigorous action to control debts. One of our main customer service aims is to help customers avoid payment difficulties and we have reduced disconnections for non-payment by over two thirds compared with the first half of 1991/92. Since | April 22,000 additional customers have joined payment schemes with us and we have

increased the number of key meters installed in customers' premises by some 38%. In June we raised our customer service targets across the range of overall and guaranteed standards of service agreed with the Office of Electricity Regulation (OFFER). From October we doubled the level of payments that we make to customers in instances where we fall to meet required

In the year to March 1992, we achieved the second highest performance of any regional electricity company under the guaranteed standards of service. This year we have continued to improve our service performance and during the six months to 30 September made an average of only four payments to customers in every 10,000 services carried out.

GENERATION We are a partner in three gas fired generating schemes currently under construction by Barking Power, Medway Power and Derwent Cogeneration. Each of the projects is running to time and to cost and will become operational during 1995/96. They will play a key role in our strategy to achieve a balanced portfolio of electricity purchase contracts based on a range of primary fuels including coal.

We are confident that these stations, besides being sound investments for the future, will ovide competitive power for our customers whilst contributing to a cleaner environment. In this regard, I am delighted that OFFER has now confirmed that these projects do comply with our licence regulrement to purchase electricity economically.

OTHER BUSINESSES On 27 April we established our new joint venture with Eastern Electricity, E&S Retail Ltd and on 31 October we reached agreement with Midlands Electricity to join the consortium with effect from ! April 1993. The company has a full management team in place based at a new headquarters in Bicester, Oxfordshire and with the participation of Midlands, will be the third largest electrical retailer in the country. E&S Retail will operate from a considerably reduced cost base with greater buying power and whilst the costs of setting up the business mean that it will make a loss in 1992/93, it is well positioned to take advantage of any upturn in consumer confidence.

Southern Electric Contracting Ltd was established as a wholly owned subsidiary on I April and whilst like retailing, the business is facing a challenging trading environment, we anticipate it will make a small profit this year. Our new acquisitions, Thermal Transfer (Holdings) Ltd and M P Burke PLC, are highly competitive in their specialist markets and we expect them to remain profitable.

During August we took our first step into the retail gas market by forming a joint venture with Phillips Petroleum Company UK Ltd - Southern and Phillips Gas Ltd - to market gas to commercial and industrial customers in our region. The company, which expects annual sales of £8m, has sold all the gas it acquired under the Release Gas Agreement from British Gas and completed the first spot deal in the new market for additional supplies with PowerGen to cover early demand from customers.

NOTES: I. PREPARATION The interim results, which are unaudited, have been prepared on the basis of the accounting policies adopted for the year ended 31 March 1992 as set out in the Company's annual report and accounts.

The financial information in respect of the year ended 31 March 1992 as shown in this interim stagement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. This information has been taken from the HCA accounts upon which the auditors have made an unqualified report and which have been delivered OUTLOOK

We are combating recession by focusing on our core business of electricity supply and distribution to maximise benefits for our customers and long term value for our shareholders. Our priority is to grow the business and its profitability by effectively reducing costs, improving efficiency and providing high ality customer services. This satisfactory progress will be maintained throughout the year ensuring that 1992/93 will see further growth in earnings.

Duncan A Ross, Chairman

GROUP PROFIT AND LOSS ACCOUNT For the period ! April 1992 to 30 September 1992.

	HCA (m	HC4	L Lim	CCA	.£m
	Year to 31 March 1992	Half Year to 30 Sept 1992 (xeaudited)	Half Year to 30 Sept 1991 (wandined)	Half Year to 38 Sept 1992 (unquilited)	Half Year to 30 Supt 199((wroudked)
Turnover	1,750.6	760.6	745.5	760.6	745.5
Operating profit/(loss)	1715	19.9	(8.9	(10.1)	(6.7)
NGH dividend	17.2	6.2	5.5	6.2	5.5
Gearing adjustment	-	-	-	3.5	3.9
Net interest	(22_4)	(19.8)	(10.7)	(10.8)	(10.7)
Profit/(loss) before tax	166.3	15.3	13.7	(11.2)	(8.0)
Tax (note 2)	(37.3)	(4.9)	(4.7)	(4.9)	(4.7)
Profit/(loss) after tax	129.0	10.4	9.0	(16.1)	(12.7)
Minority interest	-	(0.2)	-	(0.2)	_
Profit/(loss) attributable to shareholders	129.0	10.2	9.0	(16.3)	(12.7)
Dividend	(45.0)	<u>(15.1)</u>	(13.2)	(15.1)	(13.2)
Retained loss	84.0	(4.9)	(4.2)	(31.4)	(25.9)
Earnings/(loss) per ordinary share	47.8p	3.78p	3.33p	(6.04p)	(4.7p)
Dividend per share	16.66p	5.6p	4.9p	5.6p	4.9p

GROUP BALANCE SHEET

	HCA (m	HC	L £m	CC	L Em
	AL 31 March 1992	At 36 Sept 1992 (unanditud)	Aç 30 Sept 1991 (unmadited)	Ar 30 Sept 1992 (umașdited)	At 30 Sept. 1991 (unaudited)
Fixed assets	668,4	701.0	626.3	1,444.9	1,226.0
Current assets	524.1	495.1	344.3	495.1	344.3
Creditors – amounts falling due within one year	(355.2)	(392.8)	(190.2)	(392.8)	(190.2)
Net current assets	168.9	102.3	154.1	102.3	154.1
Total assets less current liabilities	837.3	803.3	780.4	1,547.2	1,380,1
Creditors – amounts falling of after more than one year	lue (150,0)	(151.7)	(184.0)	(151.7)	(184.0)
Provisions	<u>(59.2)</u>	<u>(57.5)</u>	<u>(56.5)</u>	(57.5)	_ (56.5)
	62B.1	5 94 . i	539.9	1,338.0	1,139.6
Minority interest	<u>-</u>	<u>(0.7)</u>	_ - -	(0.7)	
	628,1	593.4	539.9	1,337.3	1,139.6
Called up share capital	134.9	134.9	134.9	134,9	134,9
Reserves	493.2	458.5	405.0	1,202.4	1,004.7
	628.1	593.4	539.9	1,337.3	1,139,6

2. TAXATION Taxation has been calculated on the basis of the estimated effective tax rate for the year end 31 March 1993.

3. PUBLICATION These interim results will be published in the Financial Times and Daily Telegraph on Wednes

Copies of the results can be obtained from the Director of Corporate Relations, Southern Electric plc, Littlewick Green, Maidenhead, Berks SL6 3OB.

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INTERNATIONAL COMPANIES AND FINANCE

Caisse Nationale des

Télécommunications FF 2,000,000,000 Floating Rate Bonds due 1997

Notice is hereby given that for the Interest Period 15th December, 1992 to 15th March, 1993 the Bonds will carry a Rate of Interest of 11.24218 per cent. per annum with a Coupon amount of FF 281.05 per FF 10,000 Bond and FF 2,810.55 per FF 100,000 Bond. The relevant Interest Payment Date will be

Benken Trust Company, London Agent Bank

oncesionaria Espanola S.A. U.S. \$115,000,000 **Guaranteed Floating Rate** Notes due 1993

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the next Interest 5% per annum. The Coupon Amounts will be U.S. \$252.78 in respect of the U.S. \$10,000 denomination and U.S. \$6.319.44 in respect of the U.S. \$250,000 denomination and will be payable on 15th June, 1993 against surrender of Coupon

Bankers Trust Company, London Agent Bar



Mass Transit Railway Corporation (A corporation established by the Mass Transit Railway Corporation Ordinance of Hong Kong)

HK\$3,000,000,000

Medium Term Note Programme HK\$40,000,000 Floating Rate Notes due 1995

Notice is hereby given that the HIBOR applicable to the subject notes for the period from December 14. 1992 to March 15, 1993 is 4.4375 p.a.. The inclusive rate is 4.6875 p.a.. Coupon amount payable March 15, 1993 per HK\$500,000 note is HK\$5,843,32.

Morgan Guaranty Trust Company of New York Hong Kong As HK Reference Agent **JPMorgan**

U.S. \$200,000,000 MARINE MIDLAND BANKS, INC.

Floating Rate Subordinated Notes Due 2000

Interest Amount per U.S. 650,000 Note due 16th March 1893 U.S. 8656.25

Credit Sulese First Beston Limited

25,500,000 HMC MORTGAGE ASSETS 102 PLC Class B Mortgage Backed Floating Rate Notes due March 2021

For the Interest Period from December 14, 1982 to March 15, 1993 the Note Rate has been determined at 8.0875% per annum. The Interest payable on the relevant interest payment date, March 15, 1993 will be 22,016.34 per £100,000 rominel amount.

nominal amount. By: The Chase Mankatas Bank, K.A. London, Agent Bank December 16, 1992

For the interest Period from December 14, 1992 to March 15, 1993 the Note Rate has been determined at 7.6% per annum. The interest payable on the relevant interest payment date, March 15, 1993 will be 2801.83 per £42,317.62 nominal amount. amount. By: The Chase Manhattan Bank, N.A. London, Agent Bank

FLASH LIMITED SERIES G

U.S. \$30,000,000

Secured Floating Rate Notes Due 1993

In accordance with the conditions of the notes, notice is hereby given

that for the three-month period 16th December 1992 to 16th March

1993 (90 days) the notes will carry

an interest rate of 3.79063% p.a. Relevant interest payments will be

Notes of U.S. \$100,000 U.S. \$947.65 per coupon. THE SANWA BANK LIMITED

Agent Bank

£75,000,000

HMC FINANCING 3 PLC

Class A Mortgage Backed Floating Rate Notes due December 2018

Period has been fixed at

Battle to seize control of Astra Intl stepped up

THE BATTLE for control of Astra International, Indonesia's biggest motor group, intensified yesterday with Mr Sumitro Djojohadikusomo, Astra chairman, blocking the pro-posed sale of 44.6 per cent of the company by the Soeryadjaya family, its majority share-

holders. In a related development, government officials yesterday confirmed a liquidation order had been placed on Bank Summa, which is privatelyowned by the Soeryadjaya family. The bank has outstanding obligations of Rp1,600bn (\$780m). It owes about Rp890bn to depositors, Rp300bn to the central bank and around Rp400bn to commercial

At the weekend, the Soeryadjayas reached agreement for the sale of 108m shares in Astra with a consortium led by Mr Praiogo Pangestu, who controls a substantial timber business. The consortium is acting under the umbrella of Yayasan

institute reportedly funded by members of Indonesia's Chinese business community.

Brokers say the consortium includes Mr Liem Sioe Liong, who runs the Salim Group, and Mr Eka Wijaya, head of the Sinar Mas Group. In September, the Soeryad-

jayas agreed not to sell Astra shares without Mr Sumitro's approval Mr Sumitro said Toyota Motor of Japan, the vehicles of which provided half of

Astra's Rp4,933bn turnover in

1991, opposed the sale due to the consortium's composition. "I am responsible for maintaining the relationship with Toyota Motor management," he said. Government officials, however, suggested the liquidation of Bank Summa may result in Mr Sumitro losing his

right of veto. The Soeryadjaya family, prior to their agreement with Mr Sumitro, had pledged 100m shares in Astra against a loan of Rp500bn from a consortium

China Airlines in \$110.4m share offer

CHINA Airlines, Taiwan's flag carrier, has launched a public offer of shares worth T\$2.8bn (US\$110.4m), becoming the island's first airline to go public, Reuter reports from Taipei.

Applications to buy the 41m shares, priced at T\$68 each, will be accepted from today. CAL plans a stock exchange listing in mid-February.

"The offer will help us raise money to repay debts and finance purchases of new air-craft," CAL said. It plans to expand foreign operations.

CAL is currently 85 per cent owned by the China Aviation Development Foundation, technically a private body. The remaining 15 per cent was sold to local companies and CAL employees in share placements

The public offer will reduce the foundation's ownership to about 80 per cent. Foreign investors will be allowed to buy the shares.

CAL has remained profitable in recent years despite the difficulties faced by many international airlines. In the first nine months of 1992, pre-tax profits were T\$4bn on revenue CAL, which flies to 26 coun-

tries and territories, operates a fleet of 30 aircraft and plans to expand this to 34 by the end of next year.

A recent survey found CAL was the world's fourth most profitable airline, after British Airways, Singapore Airlines and Cathay Pacific.

Streisand deal with Sony could exceed \$40m

By Alan Friedman in New York

SONY'S US movie and recorded music subsidiaries have struck an exclusive and long-term deal with Ms Barbra Streisand, the singer and actress. The contract is believed to he worth at least \$40m and could rise to as much as

The contract was orches trated by a Sony team that included Mr Mickey Schulhof, vice-chairman of Sony USA. Mr Peter Guber, chairman of the Hollywood-based Sony Pictures Entertainment group, and Mr Mark Canton, chairman of Sony's Columbia Pictures division.

Although large, it is consistent with other such deals for US superstar entertainers.

Madonna, the pop star, recently agreed a \$60m multimedia deal with the Time Warner group, while Mr Michael Jackson, another enter-tainer, has a similarly-sized contract with Sony Music. Sony yesterday said it

could not comment on the financial terms of the new contract. But one executive explained that it could total as much as

\$60m, depending on how many films Ms Streisand became involved in and whether she worked as an actress, producer or director. Some parts of the new

Streisand deal are believed to be extend to 10 years. The contract covers recorded

albums, as well as acting. directing and producing feature films. The 50-year-old Ms Streisand

began her career in 1962 with Columbia Records, part of CBS Records. CBS Records was acquired

by Sony four years ago, and Ms Streisand has remained under contract with the Sony

record division.

Last year, Ms Streisand directed Prince of Tides, a Columbia Pictures film that cost about \$30m to make and earned \$125m in gross worldwide receipts at the box

Hostile reaction to Black plan to raise Fairfax stake

By Kevin Brown in Sydney

AN ATTEMPT by Mr Conrad Black's UK Daily Telegraph group to raise its stake in Australia's Fairfax newspaper group from 14.33 per cent to 25 per cent appears likely to fail following a hostile reaction from members of the government.

The government said yesterday that the Telegraph had made a formal application to the Foreign Investment Review Board (FIRB) for a relaxation of the existing 15 per cent cell-ing on its Fairfax shareholding. The application accords with

Mr Black's intentions when Fairfax was acquired last year by the Tourang consortium, led by the Telegraph. However, it appears to have rekindled political opposition to foreign media holdings.

Mr Barry Jones, president of the governing Labor Party, said Mr Black's move could even trigger an attempt by Labor's federal parliamentary caucus to tighten existing rules on foreign ownership of news-

als by overseas companies to acquire more than 15 per cent of Australian companies. The FIRB has adopted a relaxed approach to inward

investment in recent years and has approved about 95 per cent of applications since

THE Australian government

nications minister, said the Arena GSM consortium would pay A\$140m (US\$96.6m) for the licence, which attracted offers from four consortia.

The Arena consortium comprises Vodafone and two Australian companies, AAP Telecommunications and Exicom. The main competitor for the

Arena offer would create about 5,000 jobs. Arena is believed to have promised to direct

research and development spending to Australia to help develop the local telecommunications industry.

Conrad Black: claiming the

support of the Keating cabinet

The Telegraph's application is likely to be considered sym-

pathetically by the FIRB,

which investigates all propos-

Arena will compete with mobile services offered by Australia Telecom, the government-owned carrier, and Optus, a consortium owned by BellSouth of the US, Cable & Wireless of the UK, and Mayne Nickless, the Australian trans-

port group.

Australia Telecom and Optus
have provided competing analogue mobile services since July, but will switch to group special mobile (GSM) digital

in operating GSM in Europe.

Labor was elected in 1983. But decisions by the FIRB have to be approved by Mr John Dawkins, the federal treasurer, who is subject to binding resolutions by the parlia-

mentary caucus. The Telegraph wanted a 20 per cent stake in Fairfax when the group was acquired by Tourang, but was limited to 15 per cent by the caucus, which put a ceiling of 20 per cent on total foreign ownership. This included a 5 per cent stake held by Hellman and Friedman, the US investment bank. The rest of the shares are owned by Australian institu-

tions and private shareholders. Mr Black has previously indicated that the Telegraph's hopes of increasing its stake in Fairfax were supported by Mr

Paul Keating, the prime minister, and other senior ministers. However, Mr Keating's office denied that any guarantees of support had been given to Mr Black. Officials also suggested that the government was not keen to have the foreign ownership issue aired in the run-up to next year's election.

Vodafone granted Australian licence

By Kevin Brown

yesterday awarded a licence to operate a third mobile telephone network to a consortium led by Vodafone, the UK telecommunications group.

Mr Bob Collins, the commu-

licence is believed to have been a consortium led by Singapore Telecommunications.

The government said the

services next year.

All the bidders for the third licence offered to use digital technology from the commencement of services. But Arena is thought to have won partly because of its experience

Jardine Strategic buys 16% stake in C & C

JARDINE Strategic Holdings has acquired 16 per cent of Cycle & Carriage, the Singapore conglomerate, for \$\$212.5m (\$129.6m), Reuter reports from London.

The company said it bought the 33.7m share stake from OCBC Securities, part of Oversea-Chinese Banking group.

C & C is a large motor vehicle distributor with interests in property, food and retailing in Singapore and Malaysia. For the year ended September, it made net profits before extraordinary items of S\$66m on sales of S\$1.56bn.

Jardine's managing director, Mr Nigel Rich, said: "It is policy to hold significant stakes in major companies and over time we would be looking to consolidate our investment."

This announcement appears as a matter of record only,



Ashanti Goldfields Corporation (Ghana) Limited

U.S.\$140,000,000

U.S. dollar or Gold-denominated Loan to finance the Ashanti Mine Expansion Project

Provided by

International Finance Corporation

and through participations in the IFC four by

Lead Managers

Banque Nationale de Paris p.l.c. Crédit Lyonnais

Union Bank of Switzerland

Managers

Barclays Bank PLC The Chase Manhattan Bank, N.A. NM Rothschild & Sons Limited Standard Chartered Bank Swiss Bank Corporation

Co-Manager

GiroCredit Bank Aktiengesellschaft der Sparkassen

Long Term Gold Hedging Facilities designed to enable AGC to hedge. annual gold sales worth a minimum of U.S. \$100,000,000

Provided by International Finance Corporation The Chase Manhattan Bank, N.A.

The undersigned acted as financial side contact Ashanti Goldfields Corporation (valuation) University and structured and arranged the towns my

International Finance Corporation

Navember 1992

PWA CORPORATION

NOTICE TO THE HOLDERS OF THE 7 7/8 %

ONVERTIBLE SUBORDINATED DEBENTURES On November 29, 1992, PWA Corporation announced the cessation of all payments to all lenders, major equipment lessors and certain facilities lessors including its 7 7/8% Convertible Subordinated Debentures. This action is part of a restructuring program that is being implemented by the corporation and its subsidianes due to continuing recessionary conditions in the economy, over capacity in the airline industry and what we believe to be damaging competitive activities in the Canadian market. The restructur-

ing program is intended to re-establish our financial strength This moratorium on payments to our creditors initiates a plan to restructure these financial obligations. The plan will include a pro-posal to convert certain of our obligations to common shares, including our 7 7/8% Convertible Subordinated Debentures. We will not be making the December 30, 1992 interest payments due on the Debentures. As a result of the moratorium, we will be in default under the terms of many of our loan agreements and be exposed to the risk of creditor action against the corporation and its assets. We are confident that our Debenture holders and other creditors will see many advantages in our plan and the prospect of a stronger and more effective competitor in the future. However, we will require the forbearance of all parties being affected by our actions.

On Behalf of the Board of Directors.

Chairman, President & C.E.O.

November 29, 1992

R T. Eyton

D.R. Murphy Senior Vice President, Finance



EUROPEAN INVESTMENT BANK Italian Lira 200 Bill Floating Rate Notes Due 1995 Coupon No. 11 due from December 11, 1992 to June 11, 1993 will be payable starting June 11, 1993 at the rate of No. 11 due from Dec

TL 720,417.- per ITL 10,000,000 ITL 7,204,167.- per ITL 100,000,000

SANPAOLO-LARIANO BANK S.A.

ISTITUTO BANCARIO SAN PAOLO DI TORINO S.P.A. LONDON BRANCH ECU 150,000,000 FLOATING RATE DEPOSITARY RECEIPTS DUE 1997 For the period December 16, 1992 to June 16, 1993 the new rate has been fixed at 10,5125 % P.A. Next payment date: June 16, 1993 Coupon nr : 2 Amount : XEU 53,for the denomination of XEU 53, for the denomination of XEU 531, for the denomination of XEU 10 000 XEU 5315, for the denomination of XEU 100 000 THE PRINCIPAL PAYING AGENT SOGENAL SOCIETE GENERAL GROUP 15, evenue Emile Reuter LUXEMBOURG

U.S.\$100,000,000 Guaranteed Floating Rate Notes due 1994 Citicorp Overseas Finance Corporation N.V. orused with finited liability in the Netherlands & Unconditionally guaranteed by CITICORP ©

Notice is hereby given that the Rate of Interest has been fixed at 6% and that the interest payable on the relevant Interest Payment Date, March 16, 1993, against Coupon No. 56 in respect of US\$1,000 nominal of the Notes will be US\$15.00. December 16, 1992, London By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANCO This announcement appears as a matter of record only



Trans Tunisian Pipeline

Company Limited

US \$190,000,000 Term Loan Facility

Arranged by **ABN AMRO Bank N.V.** Banca Commerciale Italiana

Bank of America International Limited

ABN AMRO Bank N.V. Bank of America NT&SA

De Nationale Investeringsbank N.V.

Banca Commerciale Italiana ENI International Bank Limited

Banca di Roma Compagnie Monégasque De Banque

Credito Italiano Bank National Westminster Bank Pic

Rabofin Italia S.p.A. Berliner Handels- und Frankfurter Bank

Crédit National

Bank of America International Limited

is hereby given that for the six months period from 16 December 1992 to 16 June 1993 the notes will carry an interest rate of 3.67% per annum. laterest payable on 16 June 1993 will amount to US\$185.54 per US\$10,000 note and US\$4,638.47 per US\$250,000

ovisions of the notes, notice

IRELAND

June 1998

US\$300,000,000

Floating rate notes due

in accordance with the

Agent: Morgan Guaranty Trust Company **JPMorgan**

鱼 **Bankers Trust** New York Corporation

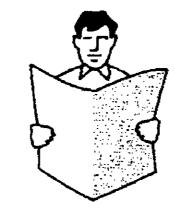
U.S. \$300,000,000 Floating Rate Subordinated Notes due 2000 For the three months 15th December, 1992 to 15th March, 1993 the Notes will carry an interest rate of 5% per amoun and interest payable on the relevant interest payment date 15th March; 1993 will be U.S. \$125.00 per U.S. \$10,000 Note and U.S. \$3,125.00 per U.S. \$250,000 Note.

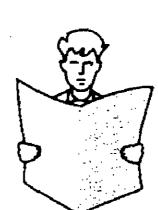
Bankers Trust Company, London

Jardine

Strategich 16% stake

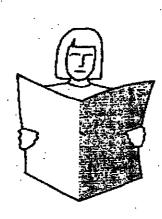












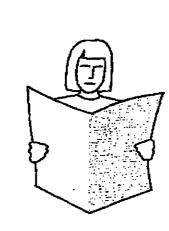
One Market.
One Newspaper.













One Survey.

On January 19th, the Financial Times publishes a major survey - 'The Single European Market'. As you'd expect of Europe's Business Newspaper, it will be the definitive survey on this landmark development, with an expert team of journalists providing in-depth analysis of every aspect of the Single Market.

It will appear with the FT and be read by over a million business people in 160 countries world-wide. One million decision-makers.

The survey will also be included in the conference documentation of the World Economic Forum at Davos, January 28 - February 2, essential reading for the chief executives of the world's top companies. Rarely will you find a more important context in which to promote your company or indeed a more interested and interesting audience.

With an advertisement copy date of December 24th it's important that you contact Andrew Muir or Liz Vaughan at the Financial Times right away. Tel +44 (0) 71-873 3472 Fax +44 (0)71-873 3428

FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER



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Banker Park Land

Treasuries subdued as prices firm slightly

By Sara Webb in London and Patrick Harverson

IN THE absence of fresh important economic data, the US Treasury market remained subdued yesterday morning, with prices firming slightly in light trading.

By midday, the benchmark 30-year government bond was up 1 at 1012 yielding 7.454 per

GOVERNMENT BONDS

cent. Prices at the short end of the market were slightly firmer at midsession, up 1 to 99%, vielding 4.742 per cent.

The main feature of the morning session was short-covering, which gave prices at both ends of the maturity spectrum a modest lift. The only data release of the day - a 0.3 per cent decline in business inventories - was in line with expectations.

Prices at the long end were held back by the Tennessee Valley Authority's offering of \$1bn in 30-year bonds. Dealers expected that the TVA bonds would eventually put downward pressure on longer-dated government securities.

■ Short-dated French government bonds closed lower yesterday as the franc continued to come under pressure in the

higher. The Bank of France and the Bundesbank intervened to support the French currency, preventing it from breaking through the level of FFr3.42 to the D-Mark, dealers said. The Franc/D-Mark exchange rate was quoted at 3.4175 by late afternoon.

Three-month money rates rose from a spread of 1011-111 per cent to 10%-11% per cent. Among short-dated issues, the yield on the 8 per cent bond due 1994 moved from 8.34 per cent to 8.38 per cent. Longerdated issues ended unchanged on the day.
The French Treasury

announced that it would auction FFr14bn to FFr16bn of two and five-year notes tomorrow.

■ REPORTS that Mr Bettino Craxi, leader of the Italian socialist party, is under investigation in connection with a political corruption scandal. sent Italian government bonds sharply lower yesterday, with

long bonds losing a point. The May 2002 bond fell from a high of 93.80 to 92.75 while the futures contract tumbled from 93.99 to 92.93. Elsewhere in Europe, Ger-

man government bonds edged up in thin trade, closing at the high of the day.

The market paid little heed to comments from Mr Otmar

Issing, Bundesbank board member, who said he expected

short term interest rates edged M3 money supply to grow more slowly in November and December, after October's figure of a 10.3 per cent annualised rise. Mr Issing added that German inflation was still high and unlikely to ease in coming

> ■ THE RELEASE of betterthan-expected economic data helped to depress UK government bond prices, and longerdated gilts lost nearly half a point

Dealers said the producer prices and industrial production data released yesterday were stronger than expected, wining out hopes of an imminent cut in the base rate. Producer output prices showed a rise of 0.3 per cent in November from October, and input prices showed a rise of 2.4 per

The Liffe gilt futures contract slipped from 99.28 to 99.18, while the 9% per cent gilt due 2002 fell from 1094 to

■ JAPANESE government bonds opened on a weak note, but the release of disappointing economic data helped to lift prices later in the day and bonds ended slightly firmer or little changed.

Bond prices continued their downward drift early in the trading session with the futures contract falling from 107.46 at the opening to a low of 107.28. However, dealers said

BENCHMARK GOVERNMENT BONDS
 Coupon
 Red Date
 Price
 Change
 Yield
 Week ago
 Month ago

 10.000
 10/02
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 8.91
 8.77
 8.81
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	FT	FIXE	ED INT	ERES	INI T	DICES		
	Dec 15	Dec 14	Dec 11	Dec 10	Dec 9	Year ago	High *	rom.
Boyl Secs (UK)	93.50	93.71	93.84	93.64	93,74	67.22	95.54	85.11
Fixed Interest	108.78	109.01	108.94	108.86	108.93	97,47	110.26	97.15
Besis 100; Gov * for 1992 Gov Fixed interest i	remement :	Securities compliate	high since	e complies (12/11/92),	ion: 127.40 low 50.53	(3/1/76)	iow 49.1	8 ជ្រហាង
hdices*		Dec 14	Dec 1	11	Dec 10	Dec 9	9	Dec 8
Oth Edward Dave		104.1	1.00	1	1350	1101		1101

news that machinery orders for October showed a fall of 23.7 per cent vear-on-year may have helped to support prices

The futures contract closed unchanged at 107.46 while in the cash market, the yield on the No 145 JGB moved from 4.645 per cent at the opening to

Russian banks face up to a hard currency challenge

S Russia opens up to A the outside world and strives towards a market system, so its banks are beginning to wake up to the potential threat posed by for-

eign institutions. Russia has 1,550 so-called banks, but only 200 of them are big enough to be worthy of the name, according to an exhaustive study of Russian banking*. With inflation exceeding 2,000 per cent this year, none of the banks provide long-term rouble finance, and their hard currency deposits are placed in foreign banks rather than re-

lent inside the country. Even those banks which act as more than transmission belts for central bank credit to state-owned enterprises, face severe shortages of staff, resources and experience. The environment in which they operate throws up serious additional handicaps. The settlements system, for example, is a nightmare: banking documents are handwritten, often get lost, and can take weeks to clear.

However, the authorities are aware that the very weaknesses which make Russian banks fear competition militate in favour of a foreign banking presence. The Russian central bank, rebuffing calls by parliament to stop the distribution of licences to foreign banks until 1994, said foreign banks would help attract badly-needed foreign investment.

Mr Arkady Volsky, head of Russia's industrialists, claims that if foreign banks were allowed to take deposits from Russian enterprises, which presently put their hard currency earnings in bank accounts abroad, it would help stem the capital flight which is

efforts.
In the next week, the central bank is due to produce regulations to assuage Russian hanks' fears without closing the door to foreign banks.

"The regulations' main feature will be to counter the accusation that foreign banks will be pumping money abroad. Our position will be

Leyla Boulton in Moscow examines the threat to the existing order from foreign institutions

vice-versa: that money absorbed by foreign banks will be invested here." said Mr Viktor Gerashchenko, central bank chairman told the Financial Times.

Without giving details of how this would be achieved, he said banks would be required to hold a net asset position compelling them to keep more money within the country than they take out.

Foreign banks eagerly await details, even though only five of the many with representative offices in Moscow have applied for licences to establish subsidiaries.

While welcoming the idea in principle, western bankers want to know how it will be enforced. "You cannot force banks to lend," said one western banker, who pointed out

plaguing Russia's reform that foreign banks in Russia still cannot hold land or buildings as collateral. Given that, he wondered whether keeping foreign currency on deposit, as Russian commercial banks do, would count as taking money out of the country.

Although Russia at present has no restrictions on foreign banking, obtaining a banking licence can take a very long time. Bank Austria operates on "offshore" basis - it can only take deposits from foreign companies and the limited number of Russian enterprises which have the right to hold hank accounts abroad, while Crédit Lyonnais is the only bank to have received permis-

sion to set up a subsidiary. But the weakness of the rouble means that with starting capital of just Ecu20m, Crédit Lyonnais it is among the five biggest banks in Russia even before it has started to operate.

Some Russian bankers say they are all for foreign presence but only in joint venture banks like International Moscow Bank, a joint venture 60 per cent owned by foreign shareholders. According to the central bank, by April 1992 it had attracted \$2bn of the \$4bn held by Russian-based banks in foreign currency in correspon-

dent accounts abroad. Here lies Russian banks' main concern: that foreign banks will pick off their most lucrative foreign currency business, leaving them with rouble deposits. It is estimated that only ten Russian banks are capable of withstanding foreign competition in hard currency operations.

*Banking in Russia, Guide 1993, published by Osiris Conseil, Paris; Fax 47009252.

IADB reopens July issue to raise \$200m

By Tracy Corrigan

Inter-American Development Bank raised \$200m yesterday by reopening an existing \$500m issue launched in July.

Although placement proved rather slow, due to the slowdown in investor activity dur-

INTERNATIONAL **BONDS**

ing the Christmas season, dealers reported some interest from investors bullish on the dollar who have been buying shortdated dollar bonds selectively. However, the deal, which matures in August 1997, was considered aggressively priced. offering a yield of just five five to 11 basis points over the

basis points above the comparable US Treasury. Lead manager Salomon Brothers pointed out that the margin was 15 basis points when calculated over the interpolated yield

The original \$500m issue had become very expensive. After the deal was launched in July at 18 basis points over the comparable Treasury, the spread had tightened to 10 basis points below the curve. Dealers said this anomaly existed because of the lack of Eurodollar bonds, preferred by some investors because they are issued in bearer form. which trade below par. By the end of the day

the spread on the new tranche had widened from

five-year Treasury yield. • Moody's has placed the long-term debt ratings of International Business Machines under review for possible downgrade, affecting \$18bn of debt. The move threatens to widen further the gulf between Moody's and Standard & Poor's

IBM's debt is still rated AAA by S&P, although with a negative outlook, while Moody's rates IBM's senior debt two

us dollars

Draeger Finance(b)

D-MARKS

inter-American Dev Bank(a)

assessments of IBM's credit-

notches lower at Aa2. Moody's said the latest review was triggered by IBM's announcement that it was taking a \$6bn charge in the fourth quarter to cover further workforce and capacity reductions.

• British Airways' £300m of unsecured Eurosterling bonds has also been placed under review for possible downgrade by Moody's following BA's bid to acquire up to 25 per cent of Qantas Airways.

NEW INTERNATIONAL BOND ISSUES

100

The Australian government, which is in the process of privatising the 100 per cent-owned airline, is expected to decide whether to accept the acquisition in January. BA is also awaiting a decision by the US Department of Transportation on a \$750m investment in

Technical Data/ATLAS Price Se

USAir. The review will focus on the impact of these potential investments and the operating benefits which could be real-

25/1212 bp Salomon Brothers Int

standing \$500m issued in August. Plus 131 days

50/20bp Dresdner Bank

broadening its involvement in Islamic financing techniques by arranging what it says is the first Istisna project financing facility in Pakistan.

The \$92m six-month facility was provided to Hub Power Company, a private sector joint venture company building an oil-fired power station at the

ANZ unit extends Islamic role mouth of the Hub river. It was

structured and funded by Al ANZ Grindlays Bank is Rajhi Banking and Investment Corporation of Saudi Arabia. The term Istisna relates to

the purchase of a specific piece of equipment made to order. The investor buys the equipment then sells it to the project, which pays for it six months later. The difference between the purchase and payment prices represents the

LIFFE EQUITY OPTIONS

profit element for the investor, rather than interest. Disbursement of the funds under the facility will allow work to start on the \$1.8bn project, which is Pakistan's first private sector power scheme. ANZ has become something of a specialist in Islamic financings through its

work in arranging a series of

Morahaha short-term commod-

ity transactions.

MARKET STATISTICS

RISES AND FALLS YESTERDAY

1997

1998

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Company News: UK & IRISH

Building products remains weakest division

face up with challenger Triplex Lloyd rises to £3.3m

By Paul Cheeseright, Midlands Correspondent

TRIPLEX LLOYD, the industrial engineering group, increased interim pre-tax profits by 6 per cent to 23.31m despite a deteriorating periormance by its building products division.

Turnover for the six months to end-September slipped to £81.1m. The comparative figure of £83.8m included £8.8m from discontinued operations. Rarnings per share declined to 4.80 (5p) on capital enlarged via the acquisition last January of Par-

alloy.

The interim dividend is maintained at 2.5p.
Building products, where

operating profits declined to £621,000 (£673,000), remained the group's weakest division. However, both the automotive and engineering and power divisions increased operating profits to over £2.04m compared with £1.69m and £1.65m

respectively. Mr Colin Cooke, chairman, said there was no sign of any market upturn for building products and that the outlook for automotive sales was "cau-

He noted, however, that for the power division there were "substantial opportunities for growth even in the absence of general improvement either in the UK or world economy."

Against the trend among

other engineering companies, gearing increased by over 15 per cent to 60 per cent.

That, according to Mr John Foley, the finance director soon to become managing director, was the result of the provision of £4m of working capital for Paralloy.

Interest charges accounted for £1.29m (£1.24m). However, the company refinanced its short term debt by using the US private placement market to raise \$35m (£23m) which swaps into fixed rate sterling borrowing at rates under 9 per cent for terms of between seven and ten years.

O COMMENT Triplex Lloyd's power division

will carry it through the sec ond half. Paralloy is now mak ing money, investment at Deritend Precision Castings another power subsidiary, is paying off. The markets for the other divisions are too uncertain to offer any guarantee of increased profits, but by the time a lower interest rate bill and the proceeds of property sales are factored in to the immediate outlook, Triplex Lloyd should be looking at 1992-93 pre-tax profits in excess of £7.5m. That would translate into earnings of 10.2p and put the shares at yesterday's unchanged price of 140p on a prospective p/e of 13.7, cheap at the price given a sector average of over 25.

Purchase and improved margins lift Greencore

By Tim Coone in Dublin

GREENCORE, the Irish sugar and agribusiness group, reported a 25 per cent increase in pre-tax profits to I£31.5m (£34m) for the year ending September 25 on turnover up 19 per cent at 19388m.

The results are the first fullyear figures from the company since its privatisation and flotation in April 1991. They also reflected the incorporation of Food Industries into the group in November 1991 at a cost of I£57.9m.

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Increased margins were achieved in all three divisions sugar, agribusiness and

Mr Gerry Murphy, chief executive, said the results reflect the achievement of greater operating efficiency through the group and the suc-cessful integration of the com-

Sanderson Elect

ahead to £2.8m

Pre-tax profits moved ahead at

panies acquired with Food Industries".

The increase in turnover and a near doubling of the interest charge to 128.8m were attributable almost entirely to the incorporation of Food Indus-

Mr Kevin O'Sullivan, finance director, said it was a "great achievement" to have covered the costs of acquiring Food Industries "with a little to spare" within a year of its pur-

The sugar division increased operating profits by 10 per cent to I£22.5m on a marginally smaller turnover of I£126.3m, due primarily to a reduction of low-margin overseas sales and improved efficiency from new capital investment. Mr Murphy said the current beet harvest was producing sugar yields "at the highest level in forty

Market analysts in Dublin said the results reflected well on the new management team brought in over the past year under Mr Murphy.

They said the only concern was the current high level of interest rates in the Irish economy and the devaluation of would have an adverse effect on the company.

Mr Murphy said: "Current interest rates are unsustaina-ble and something has to give soon, although I do not believe a unilateral devaluation would be good for the country."

There was the chance of a further acquisition in the coming year "if we find the right business at the right price and depending on the state of the equity and financial markets. Earnings emerged at 31p (27.6p) and a final dividend of 5p makes an 8p (4.5p) total.

Redundancy costs

Sanderson Electronics, driven by a vigorous performance in the UK which enabled the Sheffield-based computing services company to shrug off ineses at General Automation, the US computer manufacturer in which it has a 49 per cent stake, writes Alan Cane.

Turnover for the year to September 30 increased to £21.4m (£20.5m) in difficult trading conditions, but profits rose 17 per cent to £2.8m (£2.4m). (19.2p). The market discounted the

results, marking the shares down 46p to 226p, after a 30p rise on Monday. The company declared a first interim dividend of 5.4p. For the present year, dividends totalling 9p have already been paid.

Analysts are looking for profits of £3.9m next year and believe the shares are undercut Hoskyns to £9.5m

HOSKYNS GROUP, the in which Cap Gemini Sogeti of France has a majority stake saw pre-tax profits fall sharply last year as increased competi-tion and restructuring costs acted to force down margins.

CGS also announced that it was likely to be offering 469p each for the outstanding 1990 purchase of a 69.5 per cent holding that it make a further offer within three months of the 1992 preliminary announcement for the remaining shares. The shares closed unchanged at 451 p.

For the year to October 31 profits fell 34 per cent to £9.5m (£14.3m) after redundancy costs of £2.5m.

Turnover fell slightly to

Unwin, chairman, said if allowance was made for the run down of facilities management contracts at Plessey, Hoskyns' former majority holder, and disposals, the underlying turnover growth was 6 per cent.

Earnings per share were down at 5.8p (10.5p). A final dividend of 1.65p is proposed for an unchanged total of

Hoskyns is UK market leader management, one of the fastest growing areas in data process ing. The company signed twice as many outsourcing contracts in 1992 as in 1991. The forward order book is worth £175m. Mr Unwin said he did not

expect to see any increase in the amount spent on computing in 1993, but it would be distributed differently with outsourcing attracting a grow-£197.7m (£200.7m). Mr Geoff

Buy-out bid values **Printech** at I£24m

By Tim Coone in Dublin

A MANAGEMENT buy-out bid has been launched for Printech International, the Dublinbased printing supplier to the computer industry, which obtained a full listing on the London and Dublin stock exchanges in May 1991.

The cash offer of 77%p per share represents a 41 per cent premium over the last dealt price of 55p, and is worth a total of I£23.7m (£25.4m).

The bid is backed by DCC,

the holding company headed by Mr Jim Flavin, which holds a 46.6 per cent stake.

The buy-out will be carried out through Ochil, an 80 per

cent owned subsidiary of DCC, in which Printech executive directors will have a 20 per cent minority interest. Their Printech shares will be

replaced by Ochil shares, while remaining shareholders will receive cash or loan notes. A senior debt facility of I£9m, arranged through the Bank of Ireland, will finance the cash part of the bid.

By yesterday afternoon, 85 per cent of shareholders had accepted the offer. One who had not was Mr John Lawrie, the chief investment manage at Scottish Provident Ireland who called it a "pathetically derisory offer.

This bid demonstrates how cheap Irish equities have become. It is unprecedented for a thriving company to be bought out at barely eight times earnings. This development represents a threat to the long-term viability of the Irish stock exchange if sound second-line companies can be taken out like this", he stated. Mr Flavin said: "Institutional investors have shown little appetite for the smaller capitalised stocks. Neither the company nor the shareholders were benefiting from the list-

NEWS DIGEST

Reliance **Security** shares dip

SHARES OF Reliance Security Group fell 18p to 123p following the announcement of an 11 per cent downturn in pre-tax profits to £905,000 for the 27 weeks to November 6.

Mr Brian Kingham, chairman of the USM-quoted secu-rity provider, said the fall included a reduced loss of £502,000 (£772,000) from the electronic security surveillance

He was encouraged by an 8 per cent improvement in turnover to £34.1m but pointed out that lower profits reflected the impact of recession which was most notable in reduced mar-

Earnings amounted to 2.7p (3p) per share and the interim dividend is held at 1.1p.

Abtrust New Dawn assets up 24%

Abtrust New Dawn Investment Trust had a net asset value at October 31 of 155,96p per share, a gain of 24 per cent on the 125,79p at the April 30 year end and 50 per cent up on a year

Net revenue for the six months to end-October was £219,365 (£109,694) for earnings almost doubled at 0.73p, against 0.37p.

MITTEREST INDICES

Brasway more than halved at £330,000

Pre-tax profits of Brasway, the tube and hydraulic-hose and fitting manufacturer, more than halved from £708,000 to £330,000 in the six months to

Turnover was down 6 per

14 ·

cent at £16.4m compared with

Mr Mark Swaby, chairman, said that benefits of new prod-ucts should be seen in the sec-ond half, but he warned that the immediate trading outlook was still tough.

The interim dividend is

maintained at 0.24p, payable from earnings of 0.28p (0.62p)

Hardys & Hansons shows 5% decline

Hardys & Hansons, the Not--based brewer, yesterday reported a 5 per cent down-

turn in annual profits. On turnover ahead 4 per ce to 230.3m, pre-tax profits for the 12 months to October 2 amounted to £6.72m, down from £7.04m in the previous 53 week period. The outcome was struck after dividends and net interest receivable of £962,000

After tax and the preference dividend, earnings per 5p share emerged at 18.085p, down from 19.271p. A recommended final dividend of 5.1p lifts the total

Creighton's 9% ahead at £0.62m

Creighton's Naturally, the USM-quoted creator and maker of natural health and beauty products, achieved a 9,2 per cent improvement in profits to 2617,000 pre-tax for the half year ended September 30. The interim dividend is lifted

to 2.1p (2p) from earnings of 9.1p (8.4p) per share. The group also announced the acquisition of 50 per cent of Fine Fragrances for 2875,000 in cash and shares. The purchase will help the group in both the domestic and export markets.

The improvement in profit-

ability arose from actions

taken to reduce operating

costs. Sales fell from £5.23m to £4.6m. The company exported more during the half year than for the whole of the previous 12

Meiville Street Investments,

the development capital invest-

Melville Street net asset value at 144p

ment trust, reported net asset value of 144p per share at October 31, against 150p at April 30 and 147p a year earlier.
The company said that a number of companies had continued to encounter difficult

trading conditions and provi-sions had been made. The result was reflected in the net For the six months to end-October net revenue was £391,000 (£246,000) helped by an increase in bank interest received from £14,000 to

£116,000. Earnings per share were 2.09p (1.82p) and the

interim dividend is maintained

Birkby £204,000 in the black

A turnround from pre-tax losses of £2.12m to profits of 2204,000 was announced by Birkby for the six months to

September 30. The group specialises in the provision of managed rental

Mr Michael Woodhead, chairmen, said the results reflected both the successes of the rationalisation programme and the short period of trading since the acquisition of the Birkby Group - formerly Finlan Group - on August 3.

He said that the full effect of

the acquisition, reorganisation and the capital raising would be seen in the second half. Turnover amounted to 52.19m (£5.49m). Earnings per share worked through at

4.8p (509.4p losses). Following the confirmation of the reduction in the company's share capital and share mium account on December 2, a further set of interim

accounts was being prepared.

Directors said they expected to

declare an interim dividend of

Shaftesbury cuts

loss to £4.7m

Mr Peter Levy, chairman of Shaftesbury, the property com-pany, said despite difficult market conditions substantial progress had been in reducing borrowings and generating suf-ficient rental income to cover

In the year to September 30 losses before provisions were cut from 24m to £2.54m. After provisions against cost of developing properties of £2.15m (£8.79m) the pre-tax loss was £4.69m (£12.8m).

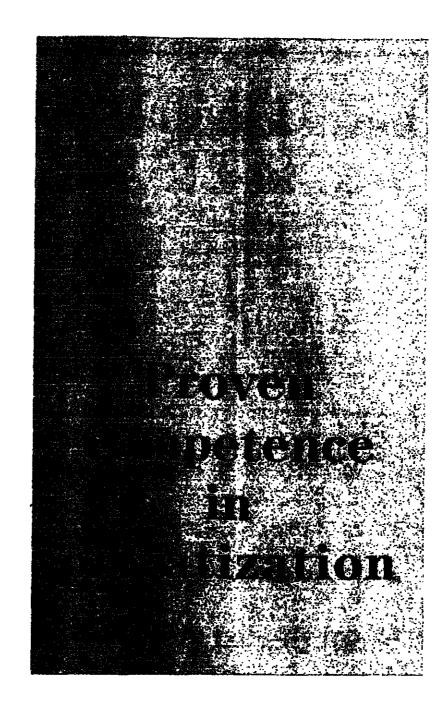
s per share were 16.3p (52.2p). Following a valuation of investment properties the deficit of £3.52m had been charged to revaluation reserve. Net assets over the year fell to 87p (117p).

Mr Levy said that borrow ings had been cut by sales during the year and since the year end. Rental income now covered all outgoings, he said.

Pittencrief in \$6.2m acquisition

Pittencrief, the oil and gas services company, has expanded its interests in mobile communications by paying \$6.2m (£4.1m) cash for Commercial Radio Service and its sister company Mounts Tower Leas-

In the year to September 30 1991 profits for the two companies were \$810,000. Gross billings are about \$305,000 a



Société Générale d'Entreprise

ired all abares

Société Générale d'Entreprises G+H Montage GmbH has accorded all shares of kehrsbauunion Magdeburg GmbH Treuhandanstalt

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Universale-Bau AG has acquired all phares of Industrie- und Spezialbau Brandenburg GmbH

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The undersigned initiated this transact and extend as advisor to the seller.

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Germany; Phone: (69) 13 62-91 97, Fax: (69) 13 62-92 76. International Presence: Amsterdam, Antwerp, Atlanta, Bangkok, Barcelona, Beijing, Bombay, Brussels, Budapest, Buenos Aires, Cairo, Caracas, Chicago, Copenhagen, Dublin, Geneva, Gibraitar, Grand Cayman, Hong Kong, Istanbul, Jakarta, Johannesburg, Klev, London, Los Angeles, Licembourg, Medrid, Manama (Bahrsin), Mexico City, Milen, Moscow, New York, Osaka, Paris, Prague, Rio de Janeiro, Rotterdam, São Paulo, Secul, Singapore, Sydney, Tehran, Tokyo, Toronto, Warsaw, Zurich. Southern

recession

SOUTHERN WATER, the

water and sewerage company

for much of the English south

coast, yesterday announced a small fall in interim pre-tax

profits because the previous

figure was boosted by excep-

tional gains.

Profits before exceptionals,

however, rose 8.3 per cent -helped by gains from "non-

core" or unregulated busi-

The pre-tax line fell from

£61.4m, including a £6m excep-

tional gain on the sale of

investments in three statutory

water companies, to £60m in the six months to end-Septem-

Mr William Courtney, chair-

man, said he was pleased with

the results, which were

affected by recession. Mr Martyn Webster, group

finance director, said recession

cost the company about £2m

because of lower metered

Southern also sharply

increased its provisions against bad debts. Provisions

were expected to reach £15m

by the financial year end com-

Turnover increased 10 per

cent to £160.2m, helped by

average price rises of 9 per

cent, while operating costs

increased 9.6 per cent to

Southern's non-core activi-

ties, which include engineer-

ing, mineral water and envi-

ronmental businesses,

increased operating profits 7

per cent to £4.5m and remained self-financing, Mr

Capital expenditure fell from

80m to £63m after four

coastal schemes were held up

by planning consent delays.

Net cash holdings improved

from £1.7m to £13.4m, partly because of the delays.

Earnings amounted to 34.4p (35.3p). The interim dividend

These results were as expected

and the 2p rise to 455p owed more to a strong sector. Prof-

its, while respectable, were

flattered by the hold-ups in

capital spending, which should

delay the switch from net cash

to net borrowings until next

year. Nevertheless, the non-

core performance was promis-

is lifted to 7.1p (6.5p).

COMMENT

pared to £10m in April.

£100.5m.

Webster said.

water usage from companies.

Water

hit by

By Angus Foster

Southern Electric improves to £15.3m

By David Lascelles, esources Editor

SOUTHERN ELECTRIC, the Berkshire-based regional dis-tributor, raised its interim profits through a combination of higher sales and reduced

For the six months to September 30 pre-tax profits were £15.3m, a rise of 11.7 per cent, achieved on turnover of £760.6m (£745.5m). Earnings per share rose by 13.5 per cent to 3.78p.

Southern also announced an interim dividend of 5.6p. The 14.3 per cent increase was the highest announced so far in the electricity results season. But Mr Duncan Ross, chairman, said that comparisons with last year's pay-out were distorted by changes in the rate of increase in the interim and final dividends. He said the latest distribution was equivalent to a full year rise of 12 per cent.

Analysts said the result conformed to expectations. The shares fell 2p to 419p in a market broadly down because of the sale of Welsh Water's stake

Share price (pence) 320 300

280

260

10 Dec'90 91

Southern Electric

in South Wales Electricity. Mr Ross said that unit sales had risen by 3.1 per cent despite the recession, much of the increase coming from industrial customers, including Honda which recently opened its new plant in Swindon. However, there had been no overall

pick-up pointing to an eco-

1992

Mr Henry Casley, chief exec-utive, said costs had been contained partly through staff reductions, which would amount to some 530 this year, and also through tighter control of bad debts. Outstanding payments had fallen by 31 per cent, or £18m, giving a boost to cash flow. However, he stressed that the savings were not being achieved at the cost of customer service, which continued to be monitored closely. Mr Ross said he was pleased, though not surprised, by the clean bill of health the electricity regulator had given last week to gas-based electricity contracts. Southern is one of the regional companies which is most heavily involved in gas. It has three projects which will become operational after

It is still negotiating a new set of long-term supply contracts and would prefer a five-year deal with the generators. Mr Ross said Southern would be drawing up its new tariff in February, and he was confident it would show an increase well below the inflation rate.

Growth in south-east Asia behind 31% gain at Courts

By Peter Pearse

OVERSEAS growth, especially in the Far East, enabled Courts (Furnishers), the home furnishings group, to report pre-tax profits up 31 per cent at £2.81m in the half-year to September

The shares advanced 25p to

The rise from £2.14m was also helped by property profits of £311,000 (losses £322,000) and was struck on turnover ahead at £84.2m (£80.7m).

Turnover in the UK fell to £46.6m (£48.1m), but overseas it advanced to £37.6 (£32.7m), thanks mainly to strong performances from Singapore and

Midlands Radio

exceptional cost

After exceptional restructuring

costs of £277,000 compared with £35,000, Midlands Radio's pre-

tax profits showed a marginal

decline in the year to Septem-

On turnover 3 per cent up at

Pre-tax profits, however; fell

Earnings per share improved

slightly, from 3.3p to 3.35p.

and the proposed final divi-

dend is maintained at 1p for

an unchanged total of

2.5p. Mr A Parkinson, chairman,

reiterated that an approach

had been made to the board

which might or might not

result in an offer for the com-

pany. He said that discussions

were continuing.

£10.4m, operating profits, after regulatory costs, advanced 24

per cent to £1.28m.

by just £8,000 to £679,000.

lower after

Fiji. Sales were up, though less strongly, in Malaysia, Papua New Guinea, Mauritius and St

Consumer confidence in the UK suffered, said Mr Paul Cohen, chairman, from the fear of unemployment, while the housing market remained

Four high street stores were closed, reducing the group's outlets to 95. A new superstore is scheduled to open in Swindon in May.

Mr Bruce Cohen, chief executive, said that the group's 28 superstores accounted for two thirds of UK turnover. If a superstore makes £110 per sq ft, a high-street store makes

only £68, he added. in October. Courts floated 25

per cent of its Singapore subsidiary on the Singapore stock exchange, raising £6.3m. Other overseas arms to have been floated are: Jamaica, 29 per cent; Barbados 10 per cent and Mauritius 12 per cent. Mr

Bruce Cohen said that Malaysia was possibly the next. The interim dividend is held at 1.83p, payable from earnings per share of 4.95p (2.69p).

Gearing stood at about the same level as last time's 48 per cent, though Mr Bruce Cohen said that it was nearly twice covered by Courts' internally financed worldwide consumer

Enterprise Computer

By Alan Cane

restructuring measures at Enterprise Computer Holdings, a supplier of second user IBM computers, failed to stem losses in the six months to Sep-

per cent down compared with the same period last year reflecting in part the disposal of non-core businesses.

S Wales Electricity sale brings smiles all round

Welsh Water £69m disposal

WELSH WATER, which gained a reputation for aggressive expansion away from its core business following privatisa-tion in 1989, yesterday pulled out of its most controversial investment when it sold its 14.9 per cent stake in South Wales Electricity.

Welsh pald about 251m for the stake in 1990 and 1991 and argued that the two companies could combine functions like billing to cut costs. But South Wales saw the stake as hostile and refused to discuss

co-operation.

Welsh sold the stake yesterday morning for £68.7m, or 460p a share, via a placing underwritten by County NatWest. Welsh realised a pre-tax capital gain of about £17.4m after expens

Mr John Elfred Jones, chairman of Weish Water, said the sale reflected lack of

progress in discussing closer co-operation. Since the summer their share price has been very good indeed so we decided to sell," he said.

He telephoned Mr Wynford Evans, South Wales' chairman, yesterday morning to tell him the decision. "It's smiles all round," Mr Jones said.

Welsh Water's shares jumped 16p to 529p, partly on relief the stake had been The stock market was sceptical that

savings could be made and some observers feared Mr Jones was trying to build up a Wales pic" type of conglomerate.

Analysts also questioned Welsh's strategy and feared its expansion away from core, or regulated, water and sewerage services could be criticised by Ofwat, the regulator, during a 1994-95 periodic review.

Mr Nigel Burton, analyst at SC War-

burg, welcomed the sale. "It clears the way for them to put forward a more focused

core strategy," he said. South Wales' shares fell 8p to 473p but Mr Evans said he was pleased Welsh was off his company's share register.
Welsh hinted that it was considering

selling the stake last month when it announced interim results. However, since Mr Jones was seen as the driving force behind the investment. no sale was expected before his retirement

He said Welsh's other non-core businesses would not be affected. These include a loss-making hotel company and an engineering company, both of which have been hurt by recession.

Mr Jones said Welsh had "no home" for the proceeds of the sale and further investment in existing non-core businesses was

Buoyant

exports

By Andrew Bolger

help Halma

jump 21%

A STRONG export sales

performance helped Halma,

the safety and environmental

control group, increase pre-tax

profits 21 per cent to £8.12m.

Turnover rose 15 per cent to £50.9m in the 27 weeks to

Lower exceptionals help reduce losses at YJ Lovell Profit after interest pay-

YJ LOVELL (Holdings), the Buckinghamshire-based housebuilder and property developer which recently negotiated a three year loan agreement with its bankers, yesterday reported a pre-tax loss of £12.2m for the year to September 30, compared to a £20.3m loss in the previous 12 months.

The losses, which amounted to £23.7m (£47.6m) at the retained level, came on turnover which declined 24 per cent to £276.9m (£363m) reflecting extremely depressed trading conditions in the UK construc-

tion and housing markets. Losses per share were 13.7p (22.6p), and the final dividend is again omitted.

The share price dropped %p

to 10p after the announcement.

ments of £4.5m (£6.67m) but before exceptional items fell by 56 per cent to £2.26m (£5.09m).

Construction operations, excluding plant hire, remained profitable as did partnership house building where 1.845 units were completed, up from 1.774 last time.

Exceptional losses of £14.4m (£25.4m) comprised a further 29m in property write-downs, group restructuring costs of £2.67m including redundancy payments, and the £2.75m costs incurred in renegotiating the bank facilities earlier this

Below the line extraordinary losses before taxation were £13.2m (£36.1m). These additional provisions were needed reduction of values in some of the group's businesses, many of which are in the process of being discontinued.

Mr Bob Sellier, chief execu tive, acknowledged that Lovell has "a lot of problems," but he said "we have faced up to them and we are working through them realistically."

He said particular attention is being paid to cash flow management. During the latest period the group showed a net inflow of £11.3m.

As a result, net debt on the balance sheet fell to £55.2m (£66.6m).

Off balance sheet there was a further £45m of borrowings at the year-end. Shareholders funds fell to £45.5m (£70.4m), reflecting the consolidation of

BBA buys

rest of US

RBA GROUP, which serves the

automotive, industrial and avi-

ation markets, has condition-

ally agreed to acquire the out-

standing 20 per cent minority

shareholding in IGH, its US

subsidiary, as part of an over-

all settlement of all litigation

Shareholder approval will be

sought because the vendors are

with the original vendors.

currently directors of IGH.

offshoot

October 3. Direct exports increased 24 per cent to £13.5m and overseas sales rose 19 per cent to £24.5m. The group said the results reflected a good performance across the board from almost all its 38 subsidiaries.

Mr David Barber, chairman, said UK activities in themselves had a strongly positive balance of payments, so the devaluation of sterling would benefit profitability. Many of the group's products were firmly established in their overseas markets, so the currency change would lead to either increased sales or

higher profit margins. Halma spent £1.8m on acquisitions, including £800,000 for IPC Resistors in Canada and its sister company in Kentucky, which should improve its position in the US market for heavy-duty resistors. Cash-flow remained buoyant and the group had no net borrow-

Earnings per share increased to 3.77p (3.25p) and the interim dividend is lifted to 1.036p (0.863p).

ings.

• COMMENT BBA acquired the 80 per cent Halma's shares jumped 8p to of IGH in May 1989 for a consideration of \$51.6m (£30.7m). close at 208p, partly because the shares are tightly held and The acquisition arrangements included provisions for the marketmakers had to scramble to cover their positions. There can be little quibbling about the 21 per cent jump in pre-tax profits, more than half of which came from acquisitions. Sales to continental Europe rose 32 per cent, and the group is confident it can survive any looming downturn there - mainly because its niche products are often driven by environmental and safety legislation. The only catch is that forecast full-year profits of £19m put the shares on a prospective multiple of 23, a 40 per cent premium to the market the market. Longer-term, analysts wonder whether the company's consistent growth

US expansion for Bemrose

security and promotional printer, is expanding in the US through an interest in Lite-R-Line, distributor of nail clippers, pen knives, and emery boards as promotional gifts.

Bemrose Yattendon, the 50 per cent owned US associate, has paid \$1.45m (£928,000) for the assets and goodwill of Lite-R-Line from London International Group. Sales for 1992

For 1991, Bemrose Yattendon its were a further 41 per cent ahead of 1991.

consider how much further the shares can advance. Deficit at Hobson

reduced to £8,000

Losses at Hobson were cut from £42,000 to £8,000 pre-tax in six months ended September 30. Turnover of £3.08m compared with £2.81m. Both the toiletries manufac-

record can be maintained as it

grows in size. Existing share-

holders have done well by sit-

ting tight, but prospective

buyers at this level should

turing operation and commodities_trading activities were profitable at the operating level, although the former suffered from low sales volumes. Losses per share of the USM-quoted company emerged at 0.02p (0.08p).

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interims on account of 15 months period. thinkes 5p (4.8p) so far-

repeats losses of £3.4m

REORGANISATION and tember 30.

man, said the company had captured its share of the available business in a market that was showing continuing deterioration and that an improvement in economic conditions would be necessary before the company would prosper.

4.3p (4.6p) and the interim divi-

Overheads have been cut by 54m a year but shareholders: funds are now down to

dend is passed.

Mr Shaun Dowling, chair-

Turnover of £35.5m was 38

profits of £17.5m on sales of

Mr Padovan's elevation had

been widely expected following

his arrival on the board in

March. However, it had been

assumed that the handover

would be made at the end of

the financial year in April. Mr

Pybus said he had decided to

retire early, "to get John in the

driving seat as soon as possi-

Company observers are not

expecting a great shake-up. A

former deputy chairman of

Barclays de Zoete Wedd, Mr.

Padovan has much in common

with his long-time acquain-

£679.7m.

The loss before tax was

New management under Mr Dowling took over on June 1. The business has been slimmed down from 13 sites to three key operations in the UK,

Mr Dowling said he believed

the losses and drain on cash were now behind the company: The second half has started rather more optimistically" he said, and I hope to report a general improvement at the year end.

£3.39m compared with £3.4m in 1991. Losses per share were

Germany and US.

Thames completes UK Gold funding with BBC Children's Channel. UK Gold is based on the pro-

By Raymond Snoddy

THAMES TELEVISION and the BBC yesterday completed the funding of UK Gold, the British satellite television company based on popular repeats. TCI, the largest cable television operator in the US and with US West one of the largest in the UK, has taken a 27 per cent stake in the £35m venture - £25m cash and a £10m

ing, especially since - unlike some other water companies standby fund. the division is profitable The BBC has a 20 per cent stake, Thames 15 per cent plus after, as well as before, interest costs. Full year forecasts of £118m put the shares on a p/e an option for a further 5 per cent and Cox, the large US of 7, with a yield of just over 6 media company, 38 per cent. per cent. While Southern's TCI is also involved in cable safety first" image will never programming through chanwin it a premium rating, it nels such as Discovery, the facprovides a pleasant backwater

tual channel, Bravo, the classic movie channel, and the

episodes of programmes such as Casualty, The Bill, East-Enders and Dallas. It is the start of the development of a "secondary market" in UK programmes - creating a channel specifically dedi-

gramme libraries of Thames and the BBC and shows early

cated to showing library mate-The channel, launched on November 1, attracted an average weekly reach in multi-channel homes of 41.2 per cent equal, UK Gold estimates, to about 2.75m

Nearly half of UK Gold's

viewing comes from 16-34 yearolds, a higher proportion than either ITV or Channel 4.

Schroders launches its first UK investment trust Schroders, the merchant bank The new trust, called the ing income shares.

and fund management group, plans to launch its first investment trust based on UK equities in the new year.

other businesses. Forced by the nationalisation of the coal

industry in 1947 to give up con-

trol of its mines, the company

had moved into such diverse

areas as heavy engineering and

have guessed as early as 1968 that Mr Pybus's ambitions lay

in a different direction. In his

first chairman's statement. Mr

Pybus made his intentions

quite clear: "The future should

offer scope for a well-run trans-

port business to earn a fair

profit and this is a field in

which the skills required are

those which we have in the

His early ambitions have

since been realised, largely

through the group's strength in the pharmaceuticals sector. The big break came in 1985,

with the purchase of Vestric.

and claims 29 per cent of the total UK wholesale drugs dis-

However, shareholders might

even a chicken hatchery.

Schroder Split Fund, will have a split capital structure and Schroders will link a personal equity plan to the high-yield-

The only investment trusts Schroders has launched to date are based on specialist areas such as Greece and Korea.

its market share.

and the company has taken its

first tentative steps with the proposed acquisition of

Ireland's Cahill May Roberts

group. However, the tightly-

held nature of pharmaceutical

businesses in continental

Europe means such expansion

is likely to be lower on the list

tunities for the group's other

divisions, such as environmen-

tal services and building sup-

plies. "There are many more

competitive contract tendering

regulations, according to Mr Tony Dew, analyst at Klein-

wort Benson. Only about haif have been tendered so far.

Building services, which

reported interim profits of

£1.5m, is also an obvious candi-

The caveat to such opportu-

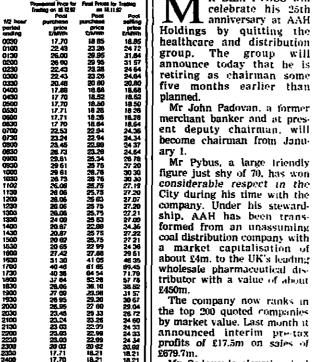
date for expansion. The

of priorities.

Analysis point to the oppor-

Prescription for a smooth handover drawal last year of major rival, Medicopharma, has helped R BILL PYBUS will celebrate his 25th anniversary at AAH Peggy Hollinger on the retirement of

for the cautious.



Bill Pybus after 25 years at AAH

tance Mr Pybus and both se that AAH's future lies in sperialist distribution. change," said Mr John Aldersley, analyst with Smith New Court, "It is more of an evolutionary change.

1983 8586878889909192

challenge would be to build on Mr Pybus's achievements. When Mr Pybus joined the board in 1968, Amalgamated Anthracite Holdings, was heavily dependent on a solid fuels market, where turnover was estimated to be declining at about 10 per cent a

Glaxo's distribution arm, for £15m. In a single bound, AAH jumped from fourth to first place in the UK wholesale pharmaceuticals distribution Mr Padovan said his greatest The company now provides some 70 per cent of wholesale drugs to hospitals in the UK

tribution market worth £3.2bn Vestric not only brought AAH a national distribution network, but also radically altered the composition of the AAH also owned a ragbag of group's profits. The purchase

allowed Mr Pybus to edge out the solid fuels business, which

It is the pharmaceuticals profits for the next few

Bill Pybus: laid solid

was sold in 1987. With hindsight, the exit from solid fuels was neatly timed: "They have had desperately warm winters ever since, so we

arm which will provide the group with its bread and butter

In the short term, the with-

contracts to be won from local authorities" under the new smaller retail pharmacy divi-sion will continue to grow

are extremely relieved," said

nities would have to be eco-nomic recovery. With about 80 per cent of profits dependent on pharmaceuticals, the group's defensive qualities appear to outwelch its cyclical exposure. Nevertheless, analysts are forecasting about £3/m for the current year.

through acquisitions.

against £32.2m last time Mr Padovan is confident the foundations laid by Mr Pybus are solid enough to achieve those profits and eventually

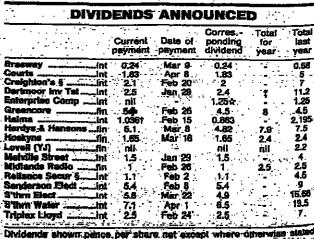
vendors to receive an earned pay-out of \$15m based on the results of IGH for the two years ended June 30 1990 which has not become payable. During the course of 1991 actions were brought against BBA and certain of its subsidiaries' directors and its employees in a New York Federal Court by the vendors. The damages claimed were in the sum of \$300m.

The settlement details mean that when added to the consideration BBA paid for the original 80 per cent of IGH this gives an aggregate acquisition cost to BBA for 100 per cent of IGH of \$72.6m.

AAH substantially to increase Further out, the opportunities abroad are also tempting

Bemrose Corporation, the

will approach \$2m contributed £957,000 to group profits, a rise of 67 per cent. In the first half of this year prof-



THE BALTIC BASIN STATES

Wednesday December 16 1992

HE Cold War which chilled the Baltic region for nearly half a century is over, and with it the sterile balance of fear which turned many Baltic harbours into naval bases and reduced east-west trade to a trickle.

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Instead of a highway, like the Mediterranean, this northern inland sea became a backwater: a cordon sanitaire between the Nordic world and the Slavic hinterlands. It was divided between the flourishing market economies of its northern and far western shores and the impoverished, Soviet-dominated south and

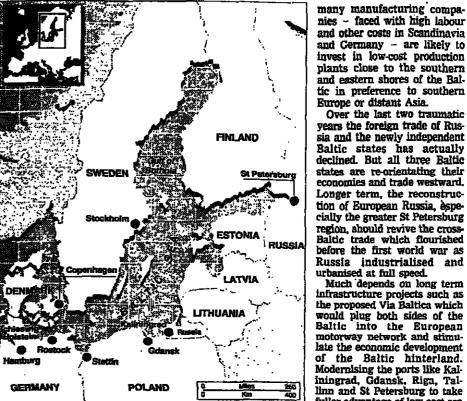
these artificial divisions has created a sudden and unexpected opportunity to restore old connections and establish new networks for the 95m people, with an aggregate gross national product of \$600bn, who live in the lands which drain into the Baltic sea.

Optimists such as Mr Carl Blidt, the Swedish prime minister, believe that "liberation of the economies of north western Russia and the Baltic states, and the entry of Finland, Sweden and Norway into the emerging European Union, is a powerful combination that promises to turn northern Europe into a growth region in the decades ahead."

Like others who dream of a revitalised north which is no longer on the periphery, but an integrated part of Europe, he accepts that its future depends largely on what happens beyond the Baltic shores.

A more assertively nationalistic Russia could jeopardise the first tentative moves to Baltic integration. A westwardlooking Russia, by contrast, would play a vital part in the re-emergence of northern Europe. Above all, it would stimulate the full development of St Petersburg as that window on the west decreed by Peter the Great in 1703, when he ordered Italian architects to build a granite city on the frozen marshland won from Sweden at the battle of Poltava: With nine different languages, no obvious central





of the area are developing

exchanges and scholarships.

Cultural contacts are growing.

But economic convergence

over the Baltic area looks as if

it will take a long time. The

transition from the Soviet com-

mand economy to the free mar-

ket on the eastern side of the

Baltic will be painful and slow. A variety of international and

bilateral assistance is being

provided at government level,

but so far western private com-

panies have been more cau-

tious. The Nordic recession has

meant leaner times at home,

and greater reluctance to

develop corporate strategies in

the Baltic area without credit

End of a long dark winter

The collapse of Soviet hegemony offers the Baltic countries an opportunity to restore historic connections. Anthony Robinson and Robert Taylor report

common identity, it is doubtful whether the states which border the Baltic will ever create over-arching political institutions. "Historically the peoples round the Baltic have seen themselves as being part of a common area," explains Mr Ivo Riste, head of the Swedish based Baltic Institute. "Outer forces, particularly Russia, have made them realise there may be a point in coming

been more a struggle for supremacy than co-operation, as Sweden, followed by Russia and Germany, sought hegemony over the disparate countries of the region. "The area

Thus far Baltic history has

creator of civilising influences," says Professor David Kirby of London University. The Baltic region idea remains "filmsy," with "many interests pulling against it," but a "flexi-ble Baltic identity" could emerge, he believes.

The re-unification of Germany means that the most powerful economy in Europe is now back with a more solid presence in the western Baltic. Once the economy of the five eastern *Länder* recovers, and Berlin resumes its full role as Germany's capital, the Baltic ports which traditionally handled trade from this region, including those such as Szczecin and Gdansk, which are now in Poland, will benefit from

German as well as wider cen-

tral European hinterland. Such a prospect inevitably invites comparison with the Hanseatic League, which stimulated Baltic trading from the 13th century on. Mr Pehr Gyllenhammar, Volvo's executive chairman and Mr Björn Engholm, Schleswig Holstein's Social Democratic prime minister, have spoken up enthusiastically for a revival.

Meanwhile, the three Baltic states, Estonia, Latvia and Lithuania, have already established a Baltic Assembly and the Nordic countries all belong to the loosely organised Nordic Council. But these are not embryonic supranational bodies with wide powers and a Council of the Baltic Sea States was established by Danish-German initiative as a regional forum to intensify co-operation and co-ordination based on free market principles and commitment to democratic

institutions. Its initial declaration points to a range of issues for co-operation including economic and technological assistance, environmental protection, transport developments and cultural, educational and tourist exchanges. But the Council lacks a secretariat or an office and is very much inter-governmental.

Other tentative organisations are emerging. Chambers of commerce have established

and other costs in Scandinavia and Germany - are likely to invest in low-cost production plants close to the southern and eastern shores of the Baltic in preference to southern Europe or distant Asia.

Over the last two traumatic years the foreign trade of Russia and the newly independent Baltic states has actually declined. But all three Baltic states are re-orientating their economies and trade westward. Longer term, the reconstruction of European Russia, èspecially the greater St Petersburg region, should revive the cross-Baltic trade which flourished before the first world war as Russia industrialised and urbanised at full speed.

Much depends on long term infrastructure projects such as the proposed Via Baltica which would plug both sides of the Baltic into the European motorway network and stimulate the economic development of the Baltic hinterland. Modernising the ports like Kaliningrad, Gdansk, Riga, Tallinn and St Petersburg to take fuller advantage of low cost sea transport is also a priority.

Environmental concerns demand prompt action to clean up the heavily polluted Baltic and the air contaminated by the heavy industries of the former communist states. Nordic technology is already helping to repair nuclear power stations in the east.

At present, however, turning dreams into reality is hard. This winter north west Russia and the Baltic states are struggling to maintain energy and food supplies. Anxieties remain over the continuing Russian military presence in the Baltic states and Kaliningrad. Discriminatory nationality laws in Estonia and Latviz threaten to stir up ethnic tensions as Russians feel they are treated as second class citizens.

Politically, the re-emergence of a vibrant Baltic region could help Poland, together with Hungary and Czechoslovakia, to speed up entry into the EC behind the Nordic states, whose expected entry, by 1995, will help tilt the balance of eco-nomic power and influence in

IN THIS SURVEY

MS: Petersburg: 300 years after its foundation by Peter the Great, the former Leningrad is still Russia's window on the west. Sweden and Finland take stock of their respective

E Estonia, Latvia and Lithuania: to be small is to remain anxious. Kaliningrad: after 50 years there is hope for this mis-

erable military enclave The environment: cleaning up the legacy of polluted air and water is a common

■ Poland turns to the north again, and Rostock recalls its past as a Hanseatic

Loans and credits are coming in from western market economies . Page 4 ■ Denmark is actively widening its trading contacts

as a Baltic base. Hamburg, Europe's big gest port, may be the centre of a modern Hansa as successful as the ancient league of trading cities which once dominated

European commerce

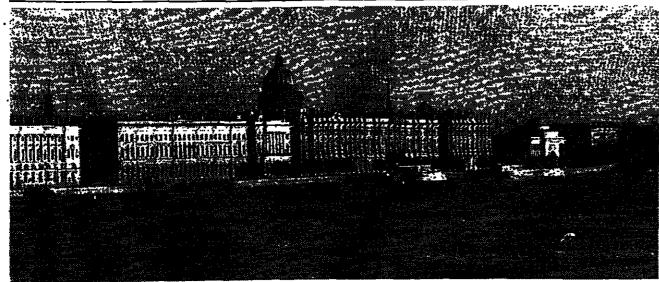
The trans-European motorway is planned to link north and south all the way to Athens..... Page 5

the Community northwards.

But Professor John Hiden and Patrick Salmon warn in their recent book, The Baltic Nations and Europe, that the lessons of history suggest the need for caution. Efforts to translate pan-Baltic dreams into reality between the first and second world wars were a "gloomy story of mutual mis-trust and frustrated hopes,"

This time such a denoue-ment may be avoided. Mutual self-interest, backed by the Helsinki accords on cooperation and security in Europe, argues for the emergence of a new region of economic prosperity and political co-operation to replace the rivalries of the





There are ambitious plans, but St Petersburg has a long way to go to fulfil its port potential, let alone handle its present tasks

St Petersburg is still Russia's window on the west

Investment badly needed

THREE centuries after it was founded by Peter the Great, the port city of St Petersburg is looking for a new lease of life as Russia's window on the

The collapse of the Soviet Union, allocating other key ports on the Baltic and the Black Sea to other states, has reasserted its role as Russia's main maritime gateway to the West. But the port itself is badly in need of reorganisation and investment to meet the challenges of a newly-opened Baltic Sea.

As often the case in Russia, grand ideas still outnumber actual projects and funds to redress matters. "Everything is still at the stage of conversations," says Mr Anatoly Bilichenko, the deputy director of the city's trade port.

Mr Vladimir Fedoseyev, an official from the St Petersburg mayor's office, sketched ambitious plans to create a "free entrepreneurial zone" on the basis of an expanded port. Despite the government's known scepticism about tax concessions for specific areas to become free economic zones, he claims that Moscow is "on the verge" of giving the project the go-ahead. The idea is to develop the present port so it reaches annual capacity of 20m tonnes by the year 2000.

Meanwhile, both St Petersburg's state-owned Baltic Ship-

entrepreneurs are vying to set up a brand new super-port outside the city. Rejecting this project as "a typical example of. . . Communist-style gigantism," Mr Bilichenko says any new money should be invested in re-equipping and developing his port - and foreign assistance available so far has

ping Company and private

focused on just that. "We have always been Russia's most universal port both in terms of cargo and onward transport facilities," he says. He points to infrastructure including comprehensive air, rail and road links from the port, itself a 15 minute drive from the centre of St Peters-

Unlike more specialised ports elsewhere, St Petersburg port handles almost everything except oil - a sore subject given local environmentalists' opposition to talk of building an oil terminal which would help make up for export-handling capacity lost elsewhere.

But St Petersburg still has a long way to go to fulfil its potential, let alone handle its present tasks. Ships loaded with scarce sup-

plies of sugar recently had to wait weeks to be unloaded and this year Mr Bilichenko had to turn down 4-5m tonnes of business exceeding the port's annual capacity of 13m tonnes. But he believes that relatively \$50m to \$60m - would be enough to buy spare parts and new loading equipment to quickly expand capacity by at least 1.5-2m tonnes.

The main problem is a lack of finance. While most of the nort's customers are Russian ships which pay for port services in roubles, virtually all the equipment and spare parts needed by the port can be bought only with preclous hard currency in the West. "It so happened that these things were not produced by our enterprises," Mr Bilichenko says somewhat ruefully, referring to the priority given by state industrial planners to defence production under seven decades of Communist

switch part of its defence industry - some of it concentrated in St Petersburg itself to civilian uses, but this is a process requiring time and huge amounts of capital which have so far not materialised.

Recognising its importance to Russia (including its role in distributing western humanitarian aid and food imports). the World Bank has promised the port \$10m out of a \$350m loan to Russia for infrastructure improvements. Tenders for the purchase of some of the equipment the port needs are to be held imminently, accord-

The European Community is also pitching in with \$4m in technical assistance to help reorganise the port.

Mr Bilichenko says the port itself can raise \$5m to spend on new equipment. He also hopes apparently without much conviction, to attract rich shareholders when the port is turned into a joint-stock company as part of the government's privatisation plans. With 51 per cent of shares to be sold to its 6.000 employees another 30 per cent will be offered to outside investors. Meanwhile, one of Russia's

new entrepreneurs wants to

build the country's first private port. Mr Ilya Baskin, who recently launched a satellite containing advertising material on Russian companies and aimed at the United States, says he has already obtained all the necessary permits from various local authorities to lease a site 100km out of town for a new port. He claims to have defeated a rival scheme by the Baltic Shipping Company to build a 180m tonne port on the same site at the fantastic cost of \$19bn. Mr Baskin claims it will take him two to three years to set up a port with capacity of 30m tonnes and that he already has the money to start work.

Leyla Boulton

Sweden has some past embarrassments to live down

Sympathy with caution

SWEDEN TODAY likes to see itself as the strategic linchpin of a potential Baltic region. But it must live down past embarrassments. Neutral Sweden was one of only three countries in 1940 which recognised Stalin's brutal annexation of Estonia, Lithuania and Latvia. The other two were Hitler's Germany and Franco's

The Swedish government also lost no time in handing over to Stalin the Baltic gold stored in the country by the fleeing Baltic authorities. In 1945-1946 it went on to deport, forcibly and in public, escaping Baltic soldiers to the tender mercies of the Soviet authori-

After that, for 45 years, Sweden"s foreign policy of neutrality looked south to the developing world and a lesser extent western Europe. As Bo Kragh, adviser to the Estonian and Latvian governments, explains, Swedes knew all about Chile. South Africa and Vietnam but nothing about the Baltic states who had vanished into the maw of the Soviet Empire.

Then suddenly, in 1988, Sweden's "forgotten neighbours" could be seen on Swedish television waving their national liags and calling for independence from Kremlin rule. In Sweden there was an astonishingly emotional outpouring of

sympathy for the Baltic states. Every Monday lunchtime for weeks in 1990-1991, hundreds of Swedes would gather in a central Stockholm square to demonstrate their solidarity with the Baltic cause. At first the main attenders were old emigrés from Latvia and Estonia who had settled in Sweden after the second world war: by the end in August 1991 the country's entire political establishment were present.

The Baltic states began to look to Sweden for more than verbal commitments. Contingency plans were prepared to establish and recognise their governments in exile in Sweden if the August 1991 hardline coup in Moscow had succeeded. Swedish politicians of all parties across the left-right spectrum spoke up loudly for the cause of Baltic indepen-

As long as the Russian military presence in the Baltic states remains, however, Stockholm is bound to take a cautionary view. It is possible Sweden may be ready in future Russia to withdraw its troops.

Sweden is willing to go to help its Baltic neighbours and risk antagonising Russia

Until now recession-hit Sweden has not been particularly generous in its trade and assitance programme for the Baltic states. Public financial support has been described as pitiful. In the current financial year the government has allocated SKr1.2bn (\$206m) for the whole of eastern Europe of which SKr700m (\$120m) will go to Estonia, Lithuania and Latvia. This is part of a SKribn (\$172m) a year programme of aid over three years.

A severe problem for Swedish companies is the lack of long-term export credit guarantees for any projects they propose in areas of the former Soviet Union.

Until now the country's export credit guarantee board has taken up a highly restrictive attitude - much to industry's dismay.

Under intense lobbying from employers, however, the Swedish government is expected to modify its attitude in next month's budget. Credit guarantees will be available after July 1. 1993, although industry does not believe the sum of money will be enough to attract larger

Swedecorp as a government agency is promoting and tak-ing part in industrial development activities on the eastern side of the Baltic.

This year it has invested in three joint venture projects two in Poland and one in Latvia. It has also helped adminis ter promotions in the area. Assistance is also coming from BITS, the technical aid organi-

In 1988 there was an emotional outpouring of sympathy for the Baltic states, but as long as the Russian military presence remains, Stockholm is bound to take a cautionary view

Despite official Swedish caution, a growing number of companies have decided to take the risk and start up activities on the other side of the Baltic. Asea Brown-Boveri, the engineering giant, has revealed a long-term strategy plan for the region and it has been particularly active in establishing joint ventures in Poland and eastern Germany. ABB opened up offices recently in Riga and

"In the Baltic states there is

tees are a necessity. Last month Molnlycke, the Swedish paper company, announced it had acquired a majority shareholding in Vis-

can, the Polish diaper manu-

facturer in Wroclaw in Silesia.

Televerket, the Swedish telecommunications company, has been particularly active through the creation of joint ventures in the Baltic states for the development of mobile telephone networks.

The country's main electricly company. Vattenfall. modernise their entire infra- is one third partner with its This would indicate how far structure – everything from rival Sydkraft and the German

company Preussen Elektra in the construction of the Baltic

al base of Kariskrone, guarded by two Swedish gunboats

power generation and transmission to transportation," Cable linking up the electricity argues Mr Bert-Olof Svanholm, ABB's president in Sweden. grids of Scandinavia and north-But he also insists "export ern Germany. Vattenfall is also developing credits and investment guaran-

environmentally-adapted and inexpensive power production plants in Poland and it is collaborating with the Finnish power company Ivo in modern-ising Estonia's power system. Other companies active in

the Baltic area include Ikea. the furniture group; Tetrapak, the packaging company; the insurance group Trygg-Hansa, and Svenska Handelsbanken. The low cost of production in

the east and its proximity to Nordic markets should encourage more companies to take a chance. But, battered by Sweden's

current recession, employers are in no mood for Baltic expansion unless the government becomes much more generous in its credit guarantee

Robert Taylor

Finland's attitude towards an open Baltic has been muted

50 years in the shadow

less than enthusiastic about the opening up of the Baltic area. Caution has been an understandable watchword in policy making for a country which since 1944 has learned how to survive under the

shadow of Moscow. President Mauno Kolvisto

Some Finnish private companies are keenly interested in opening up the eastern side of the Baltic to the rigours of the market economy

aroused international criticism when he appeared to criticise the high risk tactics of the Latvian and Lithnanian governments during the tense days of January 1991 when the infamous para-military Soviet Black Berets acted violently.

Since those events Finland has taken a more sympathetic attitude to the countries of central and eastern Europe. In 1991 the government provided FM221m (\$54.4m) in grant assistance with a further FM247m (\$55.67m) allocation this year.
The Finnish Department for

Export Credits has provided commercial credits worth FM50m (\$11,2696m) to Estonia and FM7m (\$1.578) for technical help in the Baltic states. Earlier this year 100,000 tons of heating oil were dispatched by Finland to help Estonia through its grim winter.

At the beginning of 1992 Finland established technical istance funds in the World Bank and the International Finance Corporation of FM3m (\$0.726m)and FM1.5m (\$0,363m) respectively.

A number of Finnish private

companies are also taking a keen interest in the opening up of the eastern side of the Baltic to the rigours of the market economy. This is particularly true in the transport sector. Neste, the state-owned oil congiomerate, is establishing badly needed petrol filling stations throughout the region in Warsaw, St Petersburg and Riga. It is campaigning actively for the development of the VIa Baltica - a modernised motorway that it is hoped will link the area with western Europe early in the next cen-

Finland's Baltic role has to be seen in a much wider context. Finnish foreign minister Paavo Vayrynen claims that his country is the only developed market economy which shares a common border with Russia. This has meant a focusing of Finnish assistance on specific areas close to Finland - Murmansk, Karelia and the St Petersburg area.

But at the same time trade between Finland and Russia has almost collapsed in the aftermath of the abolition of the mutually beneficial bilateral clearing house system that operated successfully from 1948 to 1990. Like Sweden, Finland is also going through a severe economic recession with sizeable cuts in its own domestic spending programmes and a squeeze on Finnish living standards. Such unprecedented belt tightening has not put the traditionally insular Finns in an altruistic mood to shoulder any Baltic

Finnish relations with Ratonia promise understandably to be the closest. The languages of the two countries are similar and their geo-

sibilities.

graphical proximity over the Finnish-owned hotel chains Gulf of Finland ensured that and transport companies are even at the height of the Cold War ties were not cut com-pletely. In 1964 President Urho Kekkonen visited Estonia, followed by trade and cultural contacts and the opening of a consular office in Tallinn in

and transport companies are particularly active in improving Estonia's attraction for business customers, while Finnish administrators and businessmen are helping the Estonian reform programme.

Robert Taylor

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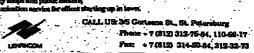
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HOW LATVIAN BUSINESS

CONNECTS TO THE WEST

AND THE 21st CENTURY

Mr Peteris Videnieks, General Director of Lattelekom.

After the Republic of Latvia regained its independence. Latvian industry was as eager as its western counterparts to establish contacts. Unfortunately, both sides were severely handicapped by the limited and unreliable telecommunications, still routed via Moscow. The mechanical exchanges installed in the 50s and 60s were well maintained, but hopelessly inadequate to meet the surging needs.

To solve the problem fast, Swedish Telecom International ~ Televerket's international business development company - was assigned to install the first AXE digital exchange in the Latvian capital of Riga. At the same time, a sufficient number of reliable lines to the western world was opened via Televerket in Stockholm, Early in 1993, the new system will be totally integrated with the existing Latvian network.

Says Lattelekom's General Director, Mr Peterls Videnieks: "Rapid development of our telecommunications is a precondition for promoting business activities in Latvia. The "overlayed" international network, installed in cooperation with Televerket, gives business people as well as politicians every possibility to communicate

with their western partners at any time". This is no coincidence. Sweden has a highly digitalized exchange network, more telephones and mobile telephones per capita, and more work terminals per employee than any other country. It is also the most open telecom market in Europe.

And, as in Latvia, we welcome any opportunity to turn communication challenges into mutually rewarding



telecommunication services. For further information, please write or call: Swedish Telecom International AB, P.O. Box 4646, S-116 91 Stockholm, Sweden Tel. +46 8 743 75 00, Fax +46 8 743 77 13

THE BALTIC BASIN STATES 3

THERE IS, you will be told in the Baltic states of the former Soviet Union, no such thing as "Russo-Baltic relations". Rather there are relations between three sovereign states Estonia, Latvia and Lithuania – and a fourth, Russia.

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This touchiness reflects two things. First, it demonstrates a desire not to be herded together into one post-Soviet lump of indistinguishably similar little countries - a reasonable desire, because these are countries (for all the forced homogeneity of the Soviet period) which are guite dissimilar in language, culture and society, though more similar in economic structure. Second, it

reflects a demand to be treated

separately by Russia (although

all three will invoke Baltic soli-

darity if it benefits them). In the past year, the relationships would seem to have sharply declined. President Boris Yeltsin was among the first - even before he became president - to speak for their right to be independent: when Mr Mikhail Gorbachev sent in the special troops in January 1991. Mr Yeltsin went so far as to appeal to the Russians in

obey orders His victory in August 1991 over the would-be putschists was seen as cementing the independence of these three small and vulnerable republics: his desire to democratise his society and lead it to the market was seen as consonant with theirs.

Not everything has changed but much has - although the appearance is worse than the reality, and each case is differ-

It is certainly the case that none of the leaders now care to pass compliments to and fro on each other's democratic ways: now often grudging, even bitRelations with Russia

Eggshell policies

ter, as the Baltic states accuse Russia of delaying the pull-out of its troops from their countries, and Russia countercharges with accusations that the human rights of ethnic Russians living in the Baltics are being breached.

The best relations, tronically, are with Lithuania; ironical, because the leader for the past two years has been Mr Vytautas Landsbergis, by far the most radical of the Baltic heads of state, a former dissident who professed a constant - and overtly expressed - dis-

trust of Russia.

But the better relationship sprang not from Mr Landsbergis's character, but from the fact that Lithuania did not fear "swamping" by its ethnic Rus-sian population. The Russians account for only 7-8 per cent of the 3.7m people in the country: the Poles, who are actually seen as a bigger problem because they are more militant in insisting on their rights and have a political party of their

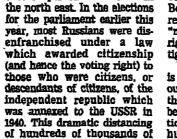
own, make up 6-7 per cent. The Lithuanians, over 80 per nt of the population, have in the past been accustomed to welcoming Russians to their country as refugees from political persecution. Even in the Soviet period, since the war, relatively few Russians were

settled in the country. Estonia is different: the Estonian-Russians make up some 85 per cent of the tiny, 1.6m strong population - a majority

mutual distrust is highest. There is as yet no citizenship

Furthermore, most of the Russians appear, at present at least, to be resigned to becoming Latvians or Estonians. Attendance at language classes is growing rapidly and the young, especially, express a

There is no question that the relationships will remain tense: the post-Soviet Baltics have painful memories of Russian occupation, and these remain fresh in the minds of the middle aged and elderly. They know well that an authoritarian turn on Moscow



of hundreds of thousands of people from the state in which they lived raised the ire of the Russians in Russia; and relations became very tense with a few shooting incidents in which lives were lost. Under the presidency of Mr Lennart Meri and his "Fatherland" coalition which governs Estonia, there has been som mending of fences, and talks

in Tallinn, the capital, and

over 90 per cent in Narva in

broken off have started again. The Estonian government has said that the registration of Russians as citizens will be made easier by lowering the standards in the language test, and other measures: while the Russians are often unhappy, especially in Narva, so far they are largely staying and do not seem rebellious. It is in Latvia, where the

Russian speaking population is about 45 per cent, that relations are worst. This is a country where all the towns, especially Riga, the capital, are dominated by Russian speakers; where the large numbers of heavy industrial plants owe

their continued (now precarl-ous) existence to Russian and Ukrainian orders; and where

law, but the indications are that it too will exempt Russian speakers from effective citizenship. Russian politicians, goaded by their nationalists. have been constrained to respond. Late in October, Presiient Yeltsin threatened to stop the troop pull-out; in November, he wrote to Dr Boutros Boutros Ghali, the UN secretary-general, to complain of "mass violations of human rights" and to ask for an inves-

In fact, policy on neither side is that simple. The troop pullout has never - so it is said by the Russian foreign ministry been halted, and is not conditional on the observance of human rights. Estonia certainly, and Latvia probably, will tone down their anti-Russian rhetoric and actions, not least because they face popular discontent arising out of recession, gripping all of their states; they do not want to irritate large sections of their inhabitants even more.

preference for staying.

could damage them still. So far - on eggshells - they are avoiding confrontation.

John Lloyd



This beach near Riga, Latvis's capital, is closed to swimmers because the water is politized by untreated efficient from local factories

Polluted air and waters are a common challenge

Catastrophic legacy

CLEANING up the pollution in the Baltic Sea is an issue on which there is a common concern among all the countries

government in along its shoreline. Northern Europe's sea and air are endangered mainly because of long-term environ mental neglect displayed by industry and the public authorities in the Soviet Union, Poland and East Germany from the end of the

> The Baltic is naturally vulnerable to pollution since it is the largest brackish water basin in the world with only a slow and irregular saltwater exchange from the North Sea via the narrow, shallow straits through Denmark.

As a result its salinity is too high for most freshwater organisms but too low for the majority of selt water species

Natural problems have been worsened by decades of inadequate sewage treatment in the eastern Baltic countries whose rivers discharge untreated human and animal effluent into the sea.

There are a number of particularly severe pollution areas. In north eastern Estonia oil shale mining has left a legacy of pollution around the towns of Kohtla-Jarva with an estimated 350m of untreated water pumped out of the mines annually.

The large scale industrial areas around St Petersburg,

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> polluter, has 40 "hot spots" which need expenditure of at least Ecn4bn. A further Ecu30bn will be needed for

Some support is expected from the European Bank for credit rating.

the Baltic area about nuclear contamination from the power stations of the former Soviet Union. Ensuring the safety of the

tance for the whole region.

Both these plants arouse widespread concern. In March there was a radiation leak at Sosnovy Bor; in September there was a leak at Ingalina.

Ever since the Chernobyl northern Europe has been sensitive to the dangers of nuclear fall-out from the east and both Sosnovy Bor and Ingalina are Chernobyl type

During the 1980s, the antinuclear movement grew strongly in the Nordic countries and although Sweden has put off plans to phase out its own more secure nuclear plants by 2010, there remains considerable doubt about the long-term use of nuclear power as an energy resource

in northern Europe.
This autumn members of the Finnish Parliament voted mexpectedly for a motion that ruled out any expansion in nuclear power in Finland Finnish industry for construction of a fifth nuclear plant. Finland is also concerned about the Russian pressurised water reactors on the Kola peninsula in the far north close to its border.

Nordic governments would like the Soviet reactors on the fringes of the Baltic to be closed as soon as possible. But that seems unlikely because of the lack of cheap sources of alternative energy in Russia and Lithuania.

A group of senior Nordic politicians called last week for he investment of SKr600m to improve the safety of Sosnovy Bor and Ingalina. But Sweden's environment minister, Mr Olof Johansson, says it will require a much wider European commitment than that of the Nordic countries to deal with a situation which could potentially threaten the whole area. Last year, the European Community earmarked about Ecu50m to improve nuclear safety in the former Soviet

Moves to improve rather than shut down the eastern nuclear plants would help to provide much-needed work for western construction and maintenance companies and ensure access in the east to the more superior nuclear technology available in the market

Robert Taylor

Kaliningrad, formerly Koenigsberg, remains a special case

Harsh fortress for defence

KALININGRAD, currently an isolated Russian enclave of 900,000 people cut off from the rest of the Russian Federation by Polish and Lithuanian territory, bears eloquent witness to the changing fate of nations around the shores of the Baltic.

It was better known for centuries as Koenigsberg, a rich and cultured port city which served the orderly agricultural hinterland of eastern Prussia when the southern Baltic was to all intents and purposes a Prussian lake. That Germanic dominance of the southern shores of the Baltic began in the 12th century with the Drang nach Osten of the teutonic knights, and culminated in the various partitions which wiped Poland from the Euro-pean map for 150 years.

It ended in misery as the defeated Nazi armies and millions of refugees streamed westward before the Red Army steamroller, while Nazi gener als on Hitler's orders staged desperate and ultimately hopeless rear-guard defensive actions by turning Koenigsberg and Danzig into defensive fortresses. For weeks the city centre was pounded by British hombers as Soviet troops encir-

cled it. To this day, however, the Prussian influence can be seen in many villages, towns, and cities, in avenues of well-made cobbled roads, sturdy barns and great monuments like the teutonic castle at Malborg. Traces also remain of Hitler's unfinished autobahn, planned to run the length of the southern Baltic to connect Ber-

lin with Koenigsberg. But Koenigsberg and Danzig, where the second world war began and ended, were physically destroyed by weeks of heavy fighting. Danzig, whose Prussian, Polish and indigenous Kashub inhabitants created a unique micro-culture immortalised in The Tin Drum and other novels by Günther Grass, was lovingly rebuilt and reborn as Gdansk. A less fortunate fate befell Koenigsberg, the birthplace of Immanuel Kant, the philosopher of pure reason.

When the war ended, Stalin redrew the map of central Europe. He moved the Polish borders westward over 200kms

sia and Pomerania, while much of pre-war Polish territory to the east was tagged on to Soviet-controlled Lithuania, Belorussia and Ukraine. Millions of Poles from these areas of prewar eastern Poland now live in the western provinces carved from the Nazi German Reich. Koenigsberg was renamed in honour of Mikhail Kalinin, a Bolshevik nonentity whom

Stalin made the nominal Soviet head of state. Together with a surrounding swathe of former east Prussian territory the city was placed under Moscow's direct control. For the duration of the cold war Kaliningrad was a closed

military district, home to a powerful Baltic fleet and a cru-cial trans-shipment and supply point for crack Soviet forces in former East Germany.

Kant's grave is one of few monuments or traces of the long Prussian sojourn left in a city virtually flattened by war and re-built in the numbingly ugly Soviet way. Ironically, his memory - and that of the Prussian past - is treasured by many of Kaliningrad's connporary Russian and former Soviet inhabitants searching desperately for a new identity and purpose in the post-Soviet

Much of present day Kaliningrad is ugly and harsh. For months ships and trains have been disgorging arms and men, the detritus of a Soviet army withdrawing from its post-war frontline positions in Germany and from Poland.

Unwanted, and uncared for, the combination of a demoralised soldiery and masses of lightly guarded equipment and ammunition, has made Kaliningrad a mecca for arms traders from former Yugoslavia, the Middle East and other actual or potential hotspots around the globe. The presence of so many weapons and so many soldiers - up to 300,000 according to some accounts - is extremely unsettling, especially to neighbouring Poland and Lithuania, whose governments want both removed or sharply reduced, as

As for its long term survival, local politicians are talking about their region acquiring



Children sell posters of old Kaliningrad, once Koenigsberg, made by the Soviet Union into a military enclave for the duration of the cold wa

autonomy within the Russian federation and forging a spe-cial relationship with Germany which would allow the descendants of the former Baltic Germans to return, as investors, tourists and even settlers to the city they once made great. Boris Yeltsin, the Russian president, meanwhile backs

plans to turn the 15,000 square km Kaliningrad region into a free economic zone in the hope. as yet distant, of allowing it to develop a 21st century future as the Hong Kong of the Baltic. The general aim would be the creation of a trading and manufacturing hub for the enormous former Soviet hinterland. which would enjoy free access to materials, capital and markets to both east and west. The Lithuanian government

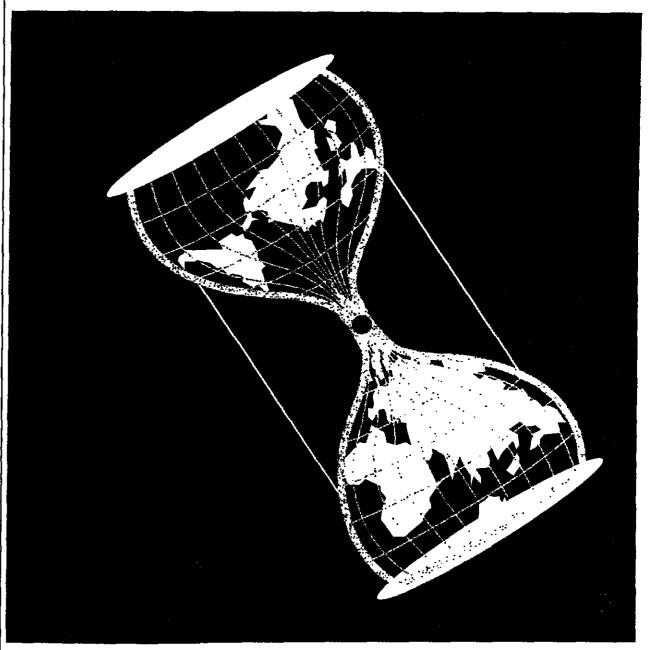
has already guaranteed free road and rail access to the enclave. The Russian authori

ties are trying to interest potential Japanese. Chinese Kaliningrad into the western terminal of a new transcontinental link-up with Nakhodka, the planned free zone near

Vladivostok on the Pacific. For such plans to prospe however, Kaliningrad has to be re-integrated into the region through improved road, rail and sea links, including the completion of Hitler's unfinished autobahn to Berlin, and the Via Baltica linking Scandinavia with St Petersburg.

All this seems far into the future. But it is not entirely fanciful to imagine the reemergence of a prosperous Baltic with Kaliningrad (probably renamed) as its eastern fulcrum, early in the next cen-

Anthony Robinson



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Lithuania is the crossroads between Western and Eastern, Southern and Northern Europe. This intermediate location has undoubtedly contributed to the rapid development of international banking and international trade financing. Now the Bank has more than 60 Correspondent Banks all over the world, including Banks has more than 60 Correspondent Banks all over the world, including Banksaya Bank PLC (London), Citibank (New York), Swiss Bank Corporation (Zurich), Deutsche Bank (Frankfurt), Banksra Trust Corporation (Zurich), and also banks in ex-USSR republics. With-

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have also been major sources of air and water pollution. The Gulf of Riga, once an

unspoilt beauty spot, has 160m. tonnes of untreated waste water pumped into it every year while Kaunas in Lithuania has no sewage purification facilities Poland is the worst polluter

of the Baltic through the riv-Joint efforts to deal with the Baltic's environment started

ment was signed on protection of the marine enivroum But it was not until 1988 that the riparian states signed

mitting them to halve the total effluent discharge into the sea. Earlier this year came the launch of the Baltic Environmental Action Programme in Helsinki. This estimates it would cost Ecul8bn over the next 20 years to clean up the

feasibility studies for the high-

est priority projects. There is a plan but so far there is no money", says Mr Rune Ericsson of Greenpeace, the environmental pressure

Reconstruction and Development, the Nordic Investment Bank as well as the World Bank but ordinary loans will be difficult to obtain because of the Baltic countries' poor

There is special concern in

Soviet built light-water gas cooled nuclear reactors at Sosnovy Bor just outside St Petersburg and Ingalina in Lithuania is of vital impor-

economies around the Baltic.

THE BALTIC BASIN STATES 4

development and financial reform, social securtity and gathering statistics. Supplies of

wheat for making bread, bar-

ley, wheat flour and sugar have also been sold with the proceeds going into social wel-

Emergency investment is

gas. Similar programmes in

Latvia and Lithuania are to

receive Ecu37.060m and Ecu

In March, the Nordic coun-

tries agreed to create a Baltic

Investment Programme with

Ecu75m to develop the private

sector in the Baltic states ini-

tially over the next three

years. The strategy will be

monitored by a Nordic Baltic

43.100m respectively.

fare provision.

Capitalist world offers a helping hand

The money rolls in

emerging Baltic region will depend on how fast the former Soviet countries on its eastern shores can become market

Estonia. Latvia and Lithuania are beginning to win support from international financial institutions.

Its scale does not compare with the post-war Marshall Plan, but any help is better

The most important intervention comes from the Washington-based International Monetary Fund. This autumn the IMF approved stand-by credit arrangements for all three Baltic states. Latvia was allotted \$82m over the next 12 months to back its economic and financial reform programme drawn up under the IMF's direction

It aims to liberalise prices and trade; to accelerate privatisation of the defunct stateowned sector; and to reduce inflation by June next year to a bearable level.

The IMF realises that this coincides with a sharp contraction of Latvia's trade with Russia and a rise in the cost of its energy and raw materials.

In Estonia the IMF is providing \$41m of stand-by credits for the next 12 months. Estonia's reform programme has been set specific targets - to limit the fall in industrial output by July 1993 to 15 per cent; slow the annual inflation rate to 6 per cent by the end of the period; and raise gross foreign reserves by mid-1993 to a level equivalent to more than two months of imports.

Estonia's adoption in July of the convertible kroon as its sole currency suggests that it stands a better chance of progress towards a free market economy than its Baltic neigh-

Lithuania has been awarded \$82m worth of IMF stand-by credits - the decision was confirmed only days before the election of the former Communists back to power. The IMF aim in Lithuania is to reduce inflation to 2 per cent by next July and keep the fall in real GDP to about 22 per cent for the 12 month period.

The World Bank is also providing loans and credit guaran-

tees to finance urgently needed imports and technical help. This autumn it earmarked \$30m for Estonia, with Lithuania and Latvia getting \$60m and \$45m respectively.

In Estonia \$29m will fund imports for the energy, agricul-ture, transport and health sectors (\$7m will cover imported drugs, vaccines and other medical goods). A large part of Lat-via's loan will help assure heating and electricity this winter with the help of imported fuel oil.

Lithuania's loan will also support energy and medical services and pay for imported feed grain, protein meal, packaging and chemicals for the dairy industry.

All three World Bank loans are expected to be co-financed by the Export-Import Bank of Japan to an amount yet to be

economic transition; build up a core of mamagement to run a and protect the environment

struction and Development agreed to invest Ecul.5m in the Estonian Investment Bank. This represents a third of the Estonian bank's capital. This is the first equity investment made by the EBRD

The EBRD has also approved a number of technical cooper tion projects in the Baltic states. These are mainly con-



A young Lithuanian shows off her country's new transitional currency

determined out of the total World Bank package for the Baltic. Sweden is also providing aid to Latvia and Lithuania while Finland is providing a grant to help train local experts to carry out the technical work involved in administering these loans.

This is only the start of the World Bank's involvement in the Baltic. It will soon open an office in Riga to co-ordinate its activities in the region.

It intends to provide a safety net to ease the social pains of

also being considered. A total of Ecu43.4m would help to market based economy; and repair Estonia's energy supply promote medium-term investments to improve efficiency and reduce emissions from power stations and district particularly in the energy secheating plaints, finance emer-gency oil import facilities and reduce demands for oil and

In October the London-based European Bank for Recon-

anywhere in central and eastern Europe. Similar developments can be expected in the other two Baltic states.

investment committee The Helsinki-based Nordic Investment Rank is also playing an active role in financerned with preparing plans cing projects in the Baltic . Last month it granted its first loan worth Ecu4.5m to Estonia to help develop small and medium-sized enterprises. The funds are being channelled

> This first Baltic Investment Loan was granted within the framework of a new Ecu30m loan facility entrusted to the NIB to administer with the Nordic countries fully guaranteeing the loans. Mr Ulf Hindstrom, the NIB's vice president, claims there is already a great deal of interest with 60 projects already in the pipe-

through the recently estab-

lished Estonian Investment

Bank in Tallinn which will be

responsible for the allocation

of those funds

The NIB has been entrusted with a Ecu5m three-year fund for technical aid to the investment banks in Estonia, Latvia and Lithuania. This will provide support for management and institutional activities

The Helsinki based Nordic Project Fund - established in 1982 to help Nordic private companies in international activities – is also backing studies in the Baltic countries through an Ecu5m fund for technical assistance. This fund is to be administered by the EBRD and no project must exceed FIM700,000 with conditional interest-free loans covering 60 per cent of the cost.

Robert Taylor

After 300 years, Poland looks to Scandinavia again

New openings to the north

years since Poles were last forced to look hard at their neighbours on the north shore of the Baltic. That was when the Swedes, led by King Gustavus Adolphus, invaded and took control of most of Poland

In between times, Poles became accustomed to focusing on their neighbours to the east and the west as potential threats to their country's independence. This neglect of the north is now changing - very slowly. Mr Andrzej Arendarski, Poland's foreign trade minister, recently appealed to Swedish businessmen for "a new invasion, not with arms this time but with capital investments."

Time will show if his appeal will be taken up. The three years since the fall of communism have failed to produce an explosion of either trade or inward investment from across the Baltic. Several hundred small and medium size businesses from Scandinavia have located production operations in northern Poland, but the capital involved is seldom more than a few hundred thousand dollars.

Sweden is the main partner, with about 400 Swedish owned or Swedish-Polish joint ventures, as well as some 150 Danish joint ventures and 45 from Finland. The best known Finnish partner is the Neste oil corporation. But Scania. the Swedish truck and van maker. recently opted to assemble its vehicles at Kapena, a Polish enterprise in Koszalin, close to Gdansk, and Volvo is also planning to assemble buses at the Jelcz plant, this time in southern Poland

Scandinavian investors have not only come up against the usual bureaucratic barriers, but also against the fact that Poland's attention is still focused on the European Com-munity and increased access to EC markets. It is Germany, Poland's neighbour to the west, which has become the country's prime trading partner. Both Italy and Holland do more business with the Poles than the Scandinavians. The absence of a strong

the Baltic region.

and passenger sea links between Poland's Baltic ports

obby in Poland for tighter links with the Baltic region is the more surprising because contemporary Poland has hundreds of miles of Baltic coast line stretching from Swinoujscie and Szczecin in the west to Elblag near Kaliningrad in the east.

The Baltic also provides a living for both private and state owned fishing fleets but rising costs of fuel and low catches have played havoc with the sector in the past three years. The closed sea has been turned into a significant ecological problem largely because Poland, which has almost 40m inhabitants. became a serious source of pollution under careless commu-

Air and water pollution emanating from Poland has wreaked havoc on Scandinavian air quality and is an important factor behind the acid rain which is affecting lakes and forests

Part of Poland's foreign debt has been reduced on the understanding that Warsaw will change industrial practices which endanger the life and health of people on both sides of the Baltic.

In future, planned motorway and rail communications will make Poland an increasingly important transit route for Scandinavian trade. Freight

The port of Rostock recalls its historic role

west and south. of Gdansk, Gdynia and Szczecin and southern Sweden as well as Denmark and Finland are already in place and can easily be expanded. There is also scope for co-operation in shipbuilding, where Denmark's

maintains strong ties with Polish vards such as the Paris Commune works in Gdynia. But overall trade is still relatively small. Poland's two-way trade with Sweden last year was worth \$612m, followed by \$622m with Denmark and \$512m with Finland. Increased trade with Sweden is expected after Poland signs an agreement with the Efta countries

Burmeister and Wain already

similar to Poland's association treaty with Brussels. The treaty with Efta also foresees a gradual reduction of tariff and other trade barriers leading to their elimination in the industrial goods sector by the end of the century. The agreement has been initialled, but some snags remain, particularly over bilateral trade in agricultural products with Finland, which has had a free trade arrangement with Poland since 1976. This has given the Finns a competitive edge which they are loath to lose. The Finns would also gain from plans to build the Via

Estonia, Latvia and Lithuania with Poland and points further Studies are also almost com-

plete on the cost of restoring a German built highway linking what is now the desolate mili tary enclave of Kaliningrad with Elblag to the south. These road connections

would eventually tie the eastern baltic countries through Poland with the planned north/ south European highway and help reintegrate an area whose natural links were cut. Away to the west, the Poles

are hoping to cooperate with Swedes and with the Danish island of Bornholm to form a "Euroregion" between the Szczecin region of Poland and Germany's north eastern territories, to forge links in border areas. The Germans wanted a bilateral arrangement, but the Poles suggested that Danes and Swedes come in as a counterweight. Looking further ahead, the Poles may find that despite any strong tradition of close ties with the north they, like the three post communist Baltic states, are interested in drawing Scandinavian countries towards them to modify not only a continuing Russian influence, but united Germany's economic might as

Christopher Bobinski

DIRECT

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Estonia with Ecul.7m for a

similar project in Lithuania

and Ecul.5m in Latvia. But

consultants have to be selected

itself is also involved in provid-

ing direct financial assistance.

This year Estonia received

Eculifm under the Communi-

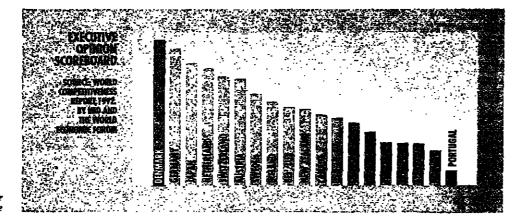
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for these plans.



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General in your country.

years of central planning and staking a claim to become Germany's commercial gateway to The ancient Hansa trading

city appears well-placed for the role. Rostock is strategically located midway across the German Baltic seacoast, astride the main north-south transport route between Stock-holm, Copenhagen, Berlin and Prague. Much to the chagrin of local leaders, however, Rostock's reputation was badly dented last August when young rightwing extremists attacked asylum-seekers in the city. Most Rostockers are now ashamed of what happened,

but the damage was done. Shortly after the second world war, Rostock port was built into the then East Germany's main harbour. By 1989 it employed 6,000 people and handled 20m tons of goods. Young people from all over the country were lured to the city by relatively high wages in the harbour and adjacent ship-yards. But in 1991, the first full year of German unity, cargo turnover plummeted to 6m tonnes as Rostock lost its function as an overseas port not only for East Germany but for Czechoslovakia and Hungary as well. Ramburg and Bremerhaven were far better suited to handle this interna-tional traffic. Rostock turned to its traditional sphere of influence, the Baltic region. New shipping terminals and ferry links to Denmark were inaugurated. More than 80 companies set up shop in the harbour area and by the end of this year the port expects to handle 10m tons of cargo. Two hundred thousand tons of this is military hardware being

shipped back to Russia by the CIS army in east Germany. A recent study says that Rostock harbour could regain its 1989 volume by 1996. Much will depend on the overall economic situation in Germany and the rest of Europe. A malting plant owned by a French company in the harbour area is doubling capacity to 160,000 tonnes next year and intends to export brewing barley grown in the region. A new coal-fired electric power station in Rostock is to import all its coal through the harbour. Rostock harbour, employing 800 dockers plus a pool of 400 part-timers, is in fact one of the brighter economic spots in

an otherwise gloomy economic

picture for Mecklenburg-Vor-

Well-placed to gain German state, Nearly 75,000 from Poland's westward ecopeople will leave the state this nomic integration, as well as year for west Germany, and

only 30,000 people will settle here. Most seriously, many qualified young workers are leaving. Unemployment in Rostock and the state is nearly 14.7 per cent, but is understated by the fact that many workers have been given early retirement while others are employed in job-creation and retraining schemes. But Mr Wiglef Purschel,

head of the economic section of the chamber of industry and commerce (IHK) in Rostock, sees hopeful signs in the interest being shown by southern German and Austrian companies in Rostock for trans-ship ping their goods to Scandinavia. He foresees that in the longer term Rostock will play an important role in the eco-nomic future of Latvia, Lithuania and Estonia, as their shortest trade route to continental Europe runs through Rostock.

from the planned east-west autobahn across east Germany to Lübeck in the west. Poland. of course, has its own nearby Baltic harbour of Szczecin (formerly Stettin, which served Berlin), which competes with Rostock. But Mr Pürschel says that Szczecin's severe infrastructure and administration problems, along with long delays for trucks at the Polish-German border, hamper the region's development. Similarly, cross-border economic co-operation between Mecklenburg-Vorpommern and Poland is proving difficult to implement. Decision-making in Poland remains highly centralised, and Szczecin is a long way from Warsaw. The construction industry was to have been the main engine pulling Rostock and the entire region out of its economic misery, but

As elsewhere in east Germany, contested property claims are the main barrier, followed by approving building projects. The Rostock area's main

shipyard, Warnowwerft in nearby Warnemünde, was Norway, but the smaller Nep tun yard in Rostock remains to be privatised. Only a fraction of the 58,000 people who were employed in east German shipbuilding still work in the industry today and 15 ships ordered by the former Soviet Union still remain undelivered and moored at the yards.

Predictably, Scandinavian companies have been the main foreign investors in Mecklenburg-Vorpommern. One of them, Scanbeton, subsidiary of a Swedish company, has built four cement plants in the Rostock-Stralsund area at a cost of DM15m. While praising the teamwork of Swedes and Rostockers, Mr Peter Michael, the managing director, blames administrative red tape for holding up the the long-awaited building boom in Mecklenburg-Vorpommern as well as the rest of eastern Germany.

Leslie Colitt

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THE BALTIC BASIN STATES 5

Denmark was an early champion of Baltic freedom from Soviet rule

Staunch ally in coldest times

states bordering the Baltic Sea.

MR UFFE Ellemann-Jensen, the Danish foreign minister stuck his neck out to help and encourage the efforts of the Baltic states to win back their independence from the Soviet Union in 1990-1991, when the issue was still very much in

His efforts generated an enormous fund of goodwill. The result is that there are now very close and intensive contacts between Denmark and the Baltic republics, at government, business and private levels. As a Swedish businessman said, "Wherever you go in the Baltic states you constantly

run into Danes. Interest in the Baltic states is not to the exclusion of activities elsewhere, however. Poland ranked as Denmark's 14th largest export market in the first nine months of this year, with trade at DKr2.2bn. slightly more than exports to countries such as Austria. Greece and Portugal and much larger than with any other

East European country. In the former East Germany, activity by Danish building firms is so high that the phrase "the yellow peril" has acquired a new meaning: it refers to the yellow licence plates on Danish commercial vehicles.

At the time when the Baltic republics were still struggling for independence, in 1990-91, Mr Ellemann-Jensen re-established contacts at government level with the Baltic countries for the first time since 1940 nmark never withdrew its 1921 recognition of the Baltic states as independent repub-

He ensured that they were present, unofficially, at the conferences which led to the establishment of the CSCE, and the Danish government financed the establishment in the first meeting of all the Copenhagen in December 1998 of a joint information office for the three countries.

Popular support for the Baltic peoples was manifested by a collection organised by the Copenhagen newspaper Politi-ken for the establishment of a Danish cultural centre in Riga, which was opened in early 1991. The Danish government doubled up the private collection. When, following the failed coup in Moscow in August.

Official plans to assist the redevelopment of the countries of East and Central Europe were first made in 1989, when a total of DKr820m was allocated for bilateral and international initiatives in Poland and Hungary in 1990-91. A new programme was agreed in 1991. increasing the sums involved to DKr2.1bn a year for the period 1992-94, with priority given to the Baltic states,

There are now very close and intensive contacts between Denmark and the Baltic republics, at government, business and private levels. A Swedish businessman says: 'Wherever you go

in the Baltic states you constantly run into Danes'

the Baltics were finally able to declare their independence, Denmark was the first country officially to re-establish diplomatic relations with

Denmark's eager support for Baltic independence cooled relationships with the Soviet Union to a level rarely reached during the cold war years, said Mr Christian Hoppe, section ad at the Ministry for Foreign Affairs in Copenhagen. But it earned Denmark a place in the hearts and minds of the Baltic peoples.

The symbolic high point of

the new relationship was the visit to all three Baltic states by Queen Margrethe and her consort, Prince Henrik, accompanied by Mr Ellemann-Jensen, in August 1992. The Queen received an ecstatic welcome. Mr Ellemann-Jensen took the initiative which led to the establishment in March 1992, of the Council of the Baltic Sea States - a milestone in cooper-

ation in the region, as it was

Poland and the St Petersburg The government now has nine programmes in operation

for support to East Europe. They include a DKr60m "democracy fund" (which is being used to teach the Baltics how institutions are organised in a democratic state), investment funds, an investment insurance fund, project finance improvement fund, and special export credit guarantees, as well as contributions to Nordic, European and international initiatives.

Denmark's position at the entrance to the Baltic is seen by the Danes as providing it with important opportunities countries develop.

Mr Poul Nyrup Rasmussen, leader of the Social Democratic Party, shares the enthusiasm now felt widely in Denmark about the importance of infrastructure investments in Dan-

sea is by far the most efficient means of transport to and from these countries, where it will take years to bring the road network up to a satisfactory standard. The port of Copenhagen, which has Denmark's only freeport, is publicising itself as "the gateway to the

Baltic." Copenhagen, the Danes point out, is the first western port of call for shipments using the Trans-Siberian railway, the western terminus of which is Talling, Estonia.

The enthusiasm of both official Denmark and Danish business for establishing links with the three Baltic republics has to do with other factors than goodwill.

There is a feeling that a small country such as Denmark, with a small-enterprise culture, can benefit by co-operating with other small countrics, even if their markets will always remain small. But when it comes to actual investment, the big slices go to Poland and East Germany.

The government-supported Investment Fund for East and Central Europe, which puts money into joint ventures between Danish and East European companies, has 20 joint ventures up and running in Poland, four in Latvia, two in the St Petersburg region and one in Lithuania (the fund does not support investments in Germany).

Among some of the more outstanding Danish projects in the area are the development by GN Great Northern and Teledanmark, the state telecommunications group, of optical fibre cable links between Denmark and Poland and Denmark and St Petersburg, and a north-south link through

through Czechoslovakia and Hungary and a link castwards will be designed to hook-up the

Baltic republics. The St Petersburg link will eventually cross the continent

to Russia's Pacific coast, Japan and Korea. One of the most successful joint ventures was established in Poland in 1990 by Nordisk Wavin, a plastic pipes manufacturer. The Polish company

employs almost 400 people. Dansk Olie og Naturgas, the state oil and gas group, is helping the Baltic republics with planning work for building up a natural gas distribution net-

House of Prince, a division of Skandinavisk Tobacco, has gained control of Latvia's state tobacco company, with 400 employees, and sees this is a platform for future sales expansion in the region.

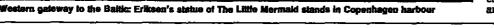
Danish civil engineering consultancy firms, which have strong international reputation, are involved in a variety of projects in east Europe.

One of the smaller consultancies. Knudsen & Sorensen, of Copenhagen, has established a strong position in the Baltic republics

One of its most intriguing projects is a plan for redeveloping tourist facilities on the coast of Lithuania, a popular holiday resort for German and Scandinavian holidaymakers in the inter-war

"Thomas Mann, the author, and Hermann Goering, Hitler's henchman, used to have Mr Christian Bluhme, the managing director.

Hilary Barnes



Hopes for Hanseatic revival

Hamburg, Europe's biggest port, gets a new role

IT WAS back in 1987, when local election fever was building up in the northern German Land of Schleswig-Holstein, that Mr Björn Engholm, leader of the Social Democrat opposition, hit on the idea of the

new Hansa." His idea was to revive something of the great old Hanseatic trading tradition, which linked the northern German ports like Bremen, Hamburg, and Lübeck in a commercial

Baltic Sea. It was not simply an idea of promoting trade, says Dr Werner Jann, director of the Schleswig-Holstein govern-ment's Denkfabrik (think tank)

Behind it lay a conviction that Schleswig-Holstein was locked into a pattern of thinking that it was on the periph-ery of real Europe, picking up the scraps of trade and invest-

ment from the wealthy economic crescent running from southern England, through the Benelux countries, the Ruhr and southern Germany to

northern Italy.
"Mr Engholm was the one who brought these north European contacts much more into the public eye," Dr Jann says. "It was against a much broader background. He asked the question: 'What will happen when the European single mar-

"There was a danger that Europe would orientate itself much more towards its rich heartland, the famous banana curve from London to Milan. What was going to happen in the north?

"Mr Engholm said we should try to define an independent identity as a region. It was no good just wringing our hands and saying: We are so far away.' What we needed was

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the inspiration of the Baltic region as a region of the

future.' That was all before it became apparent that eastern Europe was going to open up both politically and economically, making the ambition of a gre increase in pan-Baltic links suddenly more realistic, and more attractive.

Mr Engholm went on to win the 1988 election in Schleswig-Holstein. Today, as national leader of the SPD, he is the most likely challenger for the German chancellorship. One of his first acts in Kiel was to set up the Denkfabrik, with the task of putting practical flesh on the bones of his idea. The result was a study pro-

sing a whole range of future links in the economy, science and research, culture and the environment. "Our aim was not just to promote government-to-government contacts. but to get the whole private sector involved in greater co-operation," says Dr Jann. "We suggested that chambers of trade and industry had greater common interests, and

universities." Thus, for example, the chambers of commerce in Schleswig-Holstein and south Sweden have set up a "co-operation exchange," and the city cham-bers of Kiel and Gdansk, in Poland, have signed a co-opera-tion agreement. A BaltChamber has been established to represent the entire region.

Another joint initiative came

from Mr Pehr Gyllenhammar the head of Volvo) and Mr Engholm, to set up the North European Club, a regular forum of business leaders from the region. Its aims are to investigate and promote improvements in transport and communication infrastructure, scientific collaboration, environmental management, and cultural and youth exchanges.
The club is now seeking to find new business leaders from the emerging economies of eastern Europe as members – still few

and far between. In the whole exercise, Schleswig-Holstein is co-operating closely with neighbouring Hamburg, the great port which adds a whole new dimension of services to attract Scandinavian investors - whether they choose to set up in the city itself, or in the cheaper hinterland. Indeed, Hamburg itself is setting up a big East European trade centre, to exploit its new position as a link between east

This summer, Mr Engholm took a trip to Gdansk, Kaliningrad and Tallinn to underline the east European side of his Baltic commitment, signing co-operation deals with each authority along the way. In Poland, for example, he signed an agreement to give Polish agricultural specialists six months training and practical experience in Germany.

In Kaliningrad, Mr Engholm

trunk road planned to run from Hamburg via Rostock and Gdansk to Tallinn and St Petersburg - to bypass the Russian enclave. The whole area, he agreed, desperately needed better communications to develop into a centre of Baltic co-operation.

As for Estonia, where co-operation is already well advanced. Schleswig-Holstein agreed to found and support a new economic academy, and both sides agreed to expand the existing freight ferry ser-vice between Kiel and Tallinn to include passen

Quite apart from promoting better communications for its Baltic partners, Schleswig-Holstein needs them at home

There is an urgent need for a new link across the Elbe at Hamburg, to prevent that city from being a bottleneck instead of a facility to northsouth trade. At the same time, even more grandiose plans for a fixed link across the Fehmarn Belt, cutting the travelling time between Copenhagen and Hamburg to two hours by high-speed train, are well advanced. The ambition is to have in place a privately-financed rail link, possibly with a road link as well, by the year

All efforts at co-operation, it must be said, have yet to show real achievement in terms of trade and investment flows. Schleswig-Holstein is less involved in regional trade than most of the other littoral states: in overall trade, just 19 per cent of the Land's external

leader of Germany's Social Democrat party, hit on the idea of the "new Hansa," to seeking to revive something of the great old Hanseatic trading tradition linking ports in a comm empire stretching round the Baltic. Hamburg, on the river Elbe

Annual envestmen FIM 558 million (USD 124 million)

lumber of lines 692,000

Lines/190 persons: 66.3 Network digitalizate 40 %

Germany, formed an alliance in the 12th century with Lübeck, on the Baltic, which led to the formation of the Hanseatic League, a powerful coalition for the promotion and protection

tles in 1990 were with other Baltic states - Finland has about 47 per cent. "All these things take time to work through," says Dr Jann. "One single big contract could change the whole picture.' Given the planned enlarge-

ment of the European Community to include Sweden, Norway and Finland, Mr Engholm and his colleagues are convinced that the position as a poor northern cousin in Germany is about to change. He no longer sees the EC internal market as a threat, but as an opportunity.

Quentin Peel





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Russian problem may hit grain prices

By Laurle Morse In Chicago

DESPITE MURMURS about possible debt rescheduling it appears that Russia's difficulties paying back its US grain loans will not be resolved before the end of the month. leaving the country ineligible for a \$275m infusion of new loans the US Department of Agriculture had planned to release on January L

The credit problems have shut Russia, the US's secondlargest customer, out of the grain market and could have grave implications for North American wheat and maize prices if they linger on after the new year. While both Russia and the USDA initially tried to put a temporary face on the problems, grain traders say there is little hope Russia will be able to come up with enough hard cash to become

current on the accelerating

payments. Exporters and their bankers are looking to the Paris Club for a resolution, saying the international body could choose to include a principal payment deferral on the grain loans as part of a larger package of Russian debt rescheduling. "The rescheduling will have the effect of making them current, though no money is changing hands," says one US farm loans. However, international debt

banker familiar with Russia's

negotiations are moving more slowly than expected even a month ago. Political wrangling between Mr Boris Yeltsin, the Russian president, and the Russian Parliament has made recession-weary international bankers reluctant to offer fresh financing, despite Mr Yeltsin's commitment to democracy and a free-market economy.
It now appears that Paris

Club action on Russia's debt will have to wait until Russia and the International Monetary Fund have completed a full scale financing agreement. In the meantime the change in US government will prevent any unilateral policy changes before the presidential inauguration on January 20. Washington farm interests are lobbying for direct farm aid to Russia to replace the guaranteed,

short-term loan programme. As of yesterday morning, the country was \$40.1m in arrears on its US-backed farm loans. with a balance of \$199m due by the end of the month. It has been suspended from the loan programme since December 1. Overall. Russia owes about \$4.5bn for the three-year loan programme that began in Janfalling due in 1993.

Its suspension has left \$81m of unused wheat credits and \$30mn in pork credits sitting on the books at the USDA. The \$275m in new credits was designated for a variety of commodities, including wheat and feed grains. Even worse, exporters say banks have been reluctant to pay on already-opened letters of credit from the Russian central bank, put-

ting previous sales and sched-

uled shipments in jeopardy. Russia's grain loan problems are not unique to purchases from the US. The Canadian Wheat Board has not shipped grain to Russia since early October. Mr Brian Stacey, a Wheat Board spokesman, says Russia has used its maximum of \$1.5bn in revolving credit. and while it has been making payments, they have not been sufficient to cover substantial

interest on the loans. Russia represents about one fifth of Canada's export grain market, giving Canada a particular interest in resolving the country's debt problems. "The problem may be beyond Canada," says one Wheat Board official, however. "It requires a co-ordinated solution among

US grain merchants are still counting on Russia as a buyer in 1993, although purchases may be delayed until late in

countries."

the marketing year, distorting prices and disrupting the export "pipeline". Mr Richard Feltes, grain ana-

lyst with Refco, says Russia has 1.5m tonnes of US maize and 800,000 tonnes of US wheat purchased and waiting to be shipped, along with 130,000 of soyameal. The country had been expected to buy 2.25m tonnes of US maize between January and August and 3m tonnes of wheat between Januarv and May. Soyameal purchases were projected at 385,000 tonnes to the end of September.

If Russia is precluded from loading any more US grain, Mr Feltes says, the negative price effects will be felt most strongly in the wheat markets where supply and demand have been closely in balance. and where the carryover in the US had been projected at a slim 498m bushels.

While US farmers will suffer if the Soviet grain market is limited, the loss of North American imports is not expected to generate a food crisis in Russia this winter. Russia's own harvest was near a record this year, reducing its import needs by nearly a third, and its grain buyers contracted sufficient supplies before the debt crisis to cover nearby needs, Soviet specialists say.

But the iron ore industry can be expected to resist the calls for a big price reduction for as long as possible. The first settlement in a mating season almost always sets the trend for most of the world's seaborne trade, which last

year topped 390m tonnes. Last week also saw the open-ing of price talks in Tokyo between Australian miners and the Japanese mills. In the last couple of years CRA's Hamersley Iron has agreed the initial benchmark price for its fines in Japan. However, no prices were tabled by either side last week. Although Japan's steel mills have performed poorly so far this fiscal year their steel output in 1993-94 is expected to creep back over the 100m-tonne mark. Demand for iron ore in neighbouring countries such as South Korea and, especially, China is also expected

demand for a big price cut.

With the consensus seeming of about 10 per cent tomorrow's meeting between Brazil's CVRD and the German mills will be watched even more closely than usual. Bob Jones is a deputy editor of Metal Bulletin magazine.

Aluminium users look forward Iron ore producers to end of EC import tariff face price and to place their new primary By Kenneth Gooding, Mining Correspondent cut threat

ALUMINIUM USERS who have

been campaigning long and

hard for the removal of the

European Community's 6 per

cent tariff on imports of the metal are hoping that the bar-rier will at last disappear -

along with those imposed by

other countries on many non-ferrous metals – if the present Uruguay Round of trade liber-

alisation talks comes to a suc-

cessful conclusion.

GERMAN MILL agents have demanded a return to 1989 levels in the annual iron ore price talks that kicked off last week. The demand was made of the Brazilian miner Companhia Vale Rio Doce just before news broke of the application for creditor protection of the German steelmaker Klöckner-Werke.

By Bob Jones

Any change would receive a mixed reaction in Europe The ore buyers are effectively saying they want the 1993 price of Brazil's Itabira fines grade, which has often provided the benchmark in where the local aluminium producers are split in opinion about the tariff, but it would be warmly welcomed by by aluminium users and fabricaprevious iron ore "mating seasons", to fall by as much as 16 The case for removal was per cent from this year's level. expounded recently by Mr European steel companies have seen demand for their

David Humphreys, an economist at the RTZ Corporation, products fall steeply in the fourth quarter of this year -hence the recent calls for the world's biggest mining group. He pointed out that, European Community interalthough Europe was the vention to restrict steel world's second-largest aluminium producer, it was now imports from eastern Europe. Many steelmakers in the EC importing about a quarter of have also announced deep cuts its requirements. in their output this quarter.

European intergrated aluminium producers were likely to continue to focus more on their downstream activities particularly on packaging

production capacity in those parts of the world outside Europe where low-cost energy was available, Mr Humphreys told a meeting of the Institution of Mining and Metallurgy in London.

Already Austria Metall, Hoogovens, Pechiney and VAW between them had 446.000 tonnes of annual production in Australia and Canada.

Mr Humphreys said Europe should retain a core of primary smelting operations, based on its larger, newer plants - particularly those away from population centres using hydroelectric power. It was even possible that some new capacity would be installed in Norway and Iceland, while France would retain substantial capacity, partly because of the need for Pechiney, the world's technical leader in aluminium smelting, to have a test bed for

Nevertheless, he said, the trends were leading to "an end to a Eurocentric view of primary [aluminium] supply and with it will also go the justification for a protectionist import tariff.

"Europe is now a major net importer of aluminium and the interests of its consumers and of its fabricators are best served by access to low cost raw materials.'

Some European producers still argue, however, that they need the tariff because so much aluminium production elsewhere in the world is heavily subsidised, in one way or another, by governments.

They also point out they are struggling to cope with an unprecedented and sudden surge of aluminium exports from the Commonwealth of Independent States, which has caused turmoil in the market and sent prices crashing.

RTZ's Mr Humphreys warned that CIS imports increasingly looked like a structural change to western supplies, rather than a transitory phenomenon. But he suggested that, if this was the case, present attempts to block them would no longer be a rational response.

"Complaints that the displacement of clean western production by dirty CIS production is environmentally unsound, while true, ignore the underlying economic realities. Although exports from the CIS may fall as a result of production difficulties or as more metal is retained for domestic use, the CIS has an undeniable comparative advantage in energy costs," he added.

France keeps up war against US-EC deal

By David Gardner in Brussels

FRANCE LAST night continued its attrition tactics against the European Community's subsidised food exports agreement with the US as farm ministers of the 12 met for a second day here.

But the European Commission still plans to send undertakings, known as "schedules", to the General Agreement on Tariffs and Trade in Geneva reflecting the subsidy and export volume cuts it agreed with Washington to unblock the Uruguay Round world trade reform negotiations. France insists these sched-

ules go beyond the cuts in

May's agreement on common agricultural policy reform. But although assurances were sought that the CAP and Gatt deals were compatible, there was no backing for holding up the Geneva talks.

EC foreign ministers last week defeated French attempts to brake the momentum in Geneva, but balanced this by saying that "concrete results" would have to be achieved in the other 14 trade areas under negotiation in the Uruguay Round package. This prevented a damaging row on Gatt at last weekend's Edinburgh summit, where EC leaders endorsed the foreign ministerial formula.

farm ministers can do to reverse this. The compatibility issue will be considered as part of an overall Gatt agreement, ministers agreed last night, despite French opposition.

But France, which yesterday raised tricky questions on Gatt compatibility, also announced that its attrition tactics would continue. "This is but the first of the analyses the French delegation will present," said Mr Jean-Pierre Soisson, France's farm minister.

The current UK presidency of the farm council and the European Commission were expected last night to circulate a complex compromise on a There is little or nothing that range of outstanding issues.

Settlement on some of them could dim opposition to the Gatt deal. They include: • Introduction of tariffs on Central American bananas

above a fixed quota, in line with Gatt requirements, but at a very high level to protect EC and Caribbean producers. Maintenance for a limited period of "switchover" protection for farmers against cur-

rency fluctuations. Phasing out of transitional protective measures agreed for Portugal and Spain when they entered the EC in 1986. • Higher payments to small French beef and durum wheat producers.

Raising Italy's milk quota.

to improve. In Europe the outlook for 1993 is less rosy, as evidenced by Klöckner's troubles, and miners are concerned that this will colour price talks. Japanese buyers have little incentive to step into the talks as they know European mills are not going to withdraw their

to be that the final settlement market, 99.5 per cent, \$ per lb.

Bolivia tries again on mine ventures

By Chris Philipsborn in

BOLIVIA'S STATE mining corporation, Comibol, has for the second time opened tenders for Bolivar, a mine producing silver, tin, lead and zinc. The move marks an attempt by the government to reinstate joint venture deals between Comibol and private companies, following their recent suspension.

Three companies - Jordex Resources, Comsur and Breakwater Resources, recently taken over by Aritmeco of the US - have made bids for the mine, the value of which may be published tomorrow. Evalu-

ation of the bids by the United Nations Development Programme will be completed within one month. Comsur's bid in the first round, which was rejected, was \$25m and a planned 1,000-tonnes-a-day treatment plant.

Meanwhile, joint venture

contracts remain in the limbo to which they were condemned by the government in October, following union pressure and claims by parliamentarians that they were illegal. However, the government has taken the first step towards their reinstatement by attemptcontracts proposed by the mining ministry have already been accepted by Cominesa, one of the two big companies involved, along with Brazil's Paranapanema.

According to Mr Charles Bruce, executive vice president of Mintec, a Bolivian mining consultancy, Cominesa will attempt to enter the Tasna mine "early next year".

Nevertheless, significant problems remain, not least the union opposition. The government will have to tackle the unions head on early next year - a general election is due on ing to rectify the legal position.

June 6 - if the joint ven
Amendments to the original are to go ahead in 1993. June 6 - if the joint ventures

Germans treat alcohol in the wrong spirit

By David Blackwell

THE GERMAN alcohol monopoly flies in the face of the European single market and must end, according to the Alcohol Free Trade Association, which represents twothirds of European Community alcohol production, expects the European Commission to publish its regulations in the next couple of weeks. It is hoping for a so-called light regime.

similar to that announced last month for potatoes. The AFTA has already com-

plained to the commission that the 70-year-old German monopoly's pricing policy amounts to an abuse of a dominant posiis contrary to the Treaty of Rome. "Thousands of wealthy land owners operate their own distilleries and enjoy the privilege of selling their produce to the State at artificially high prices," the association said.

subsidles have reached DM343m (£140m) on the production of 100m litres of alcohol a year - the same amount that two modern distilleries can produce in the Netherlands at a cost of about sen, AFTA president. The mar-

ket price is about DM1.10. "In Germany this is a cottage industry. Alcohol production is just an addition to the farm," said Mr Jansen. Germany should consider providing

COCOA London FOX

direct aid to its farmers rather than encouraging unprofitable production and surpluses. EC alcohol production

(excluding wine alcohol) is about 1.4bn litres, with 60 per cent derived from agricultural from oil-based ethylene. About one-third of production is used by the drinks industry for gin, vodka and liqueurs. Most of the remainder goes to the cosmetics, perfume, pharmaceuticals and ink industries.

WORLD COMMODITIES PRICES

MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets). ANTIMONY: European free market 99.6 per cent. \$ per tonne, in warehouse, 1,635-1,700

BISMUTH: European free market, min. 99.99 per cent, \$ 2.25-2.45 (same). CADMIUM: European free

market. min. 99.5 per cent, \$ per lb, in warehouse, 0.45-0.55 COBALT: European free

in warehouse, 15.50-16.20 (15.60-MRRCURY: European free market min. 99.99 per cent. \$ per 76 lb flask, in warehouse,

120-140 (same). MOLYBDENUM: European free market, drummed molybhouse, 1.85-1.95 (same). SELENIUM: European free

market, min 99.5 per cent. 3 per Ib, in warehouse, 4.80-5.50. TUNGSTEN ORE: European free market, standard min. 65

per cent, \$ per tonne unit (10

kg) WO3, cif, 40-50 (same).

VANADIUM: European free market, min. 98 per cent, \$ a fb V₂O₅, cif., 1.75-1.85 (same). URANIUM: Nuexco exchange

value, \$ per lb, U₃O₈, 7.90

LME WAREHOUSE STOCKS (As at Monday's close) tonings: +8.375 to 1.502,150 -875 to 331,975 +3,725 to 208,425 +822 to 67,096 +7,800 to 438,775

MARKET REPORT

BASE METAL prices generally edged off their lows in the afternoon at the London Metal Exchange and most markets closed steadier. An exception was TIN, which closed at \$5,745 a tonne for delivery in three months, down \$90 on the day. Dealers blamed that on early liquidation sales but added that selling pressure slackened as the day wore on and prices steadied a little in after-hours trading. COPPER prices moved up in the afternoon but still ended slightly lower on the day. Dealers said the market had proved unable to break through

London Markets

SPOT MARKETS		
	 .	_
Crude oil (per barrel FOB)(+ or ·
Oubai	\$15 90-5.95	
Brent Blond (dated)	\$17,80-7 85	
Brent Blend (Jan)	\$17.90-8.00	
W.T.I (1 pm est)	\$19.15-0.20	,
Oil products		
(NWE prompt delivery per	tonne CIF	
		+ ar -
Premium Gasofine	\$188-190	
Gas Oil Ф	\$175-178	-2.0
Heavy Fuel Oil	5 71-73	+10
Naphtha	S176-177	F15
Petroleum Argus Estimetos		
Other		F Or -
Gold (per troy oz)	\$335.05	
Silver (per Iroy oz)	371.50c	-1
Platinum (per troy oz)	\$363.15	-1.5
Palladium (per troy oz)	\$111.25	-2.25
	100-	
Copper (US Producer) Lead (US Producer)	103c 34 625c	
Tin (Kuala Lumpur market)		-0.2
Tin (New York)	264 5c	-4.2
Zinc (US Prima Western)	62.0c	~
Cattle (live weight)	113.29p	-1.62
Sheep (live weight)†	79 68	0.06
Pigs (live weight)†	84.90p	-1.64*
London daily sugar (raw)	\$212w	-22
London daily sugar (white)		-07
Tate and Lyte export price	£244.0	-2
Barley (English feed)	107 Ox	
Maize (US No. 3 yellow)	£155 Q	
Wheat (US Dark Northern)	Unq	
Rubber (Jan)♥	63 00p	
Rubber (Feb)♥	63.25p	
Aubber (KL ASS No 1 Jan)	227 0m	
Coconut oil (Philippines)§	\$450y	+75
Palm Oil (Malaysian)§	\$387.5u	- 2.5
Copra (Philippings)9	\$287.5	
Soyabeans (US)	£170.5	
Cotton "A" index	54.40c	
Wooltogs (64s Supar)	402n	
E a tonne unioes otherwise	stated. p-pe	nce/kg.

resistance at the equivalent of \$2,200 a tonne. ZINC prices matched the trend in copper with cash metal closing unchanged on the day. Resistance was likely beyond \$1,070 a tonne for three months metal, \$3.50 above vesterday's close, traders thought. The NICKEL market was quiet with the three months price ending \$25 down at \$5,827.50 a tonne following an initial mark-down on another increase in LME warehouse

Compiled from Reuters

<u>SUGAR</u>	- Londo	эл FOX	15 per for
Raw	Close	Previous	H-qb-Low
Mar	183 60		196 00 182 10
May	187 00	190 00	188 09 188 50
While	Close	Presiden	High-Low
Mar	245 90	249 01	243 50 245 60
May	248.60	351.30	260 90 246 70
Aug	254 60	257 2N	256 90 054 79
Oct	242 30	344 NO	743 40, 541 50
Dec	245 80		245 00 245 60
Mur	248 30		346 20 34 (A)
	I OI May		'e IFFr par fon
	Latos	-	:-
	1/ 91		
Jan Føb	17.95		17 99 17 87
Mar	16.00		18 01 17 90 18 04 17 95
Aor	19 05		19 04 1, 95
May	18 02		18 62 18 01
Jun	10.32		16 02 14 98
Jul	18 0		19 05 1 c 01
Aug	18 03		19.06
PE Inde		18 38	19.04
Tumovor	33295 (4 . IPE	102511	
	Close	Presonn.	High Low
Jan	120.25	71 50	100 75 194 (9)
Feb	171 00	172.75	1 1 50 179 35
	1/0 50	171 09 184 75	1,039,000,000
	167 75 166 25	165.75	966 () 16. ()(
Apr		100,30	166 5 165 () 16 5: 152 15
Apr May		166.25	
Apr May Jun	167.35	166.25 168.60	
Apr May Jun Jul	167 75 167 75	168 (6)	er ak suera
Mar Apr May Jul Turnover	167-75 167-75 13036-11	168 (6)	357.9C

Improved demand brought indeperati and Russian descriptions

8WC USD 380 8TO USD 35 8WD USD 340 and Cland F Antworp 8TO USD 340 8WD USD 340 8TO USD 375 8WD 35C 35C

Previous High/Low 653 651 650 647 698 689 711 705 727 750 770 785 817 725 719 748 742 765 762 780 610 812 Turnover 1841 (227) tots of 10 tonnes ICCO indicator prices (SDRs per tonne). Daily price for Doc 15 731 48 (739 16) 10 day average price for Duc 15 731 48 (73 ar Doc 14 761 39 (765 14) COFFEE - London FOX \$/tonne

	Close	Previous	High/Low	
Jan	1005	1016	1017 1000	
Mar	1028	1039	1040 1018	
May	1008	1015	1012 1000	
Jul -	1004	1010	1009 998	
Sep	1010	1917 1027	1012 1006	
Nov	1018			
ICO ini Dec 14	dicator pi	Jaily 64 37	5 tonnes entsper po 64 40 15 d	und) lo ay aver
POTAT	roes · I	ondon FO	ĸ	E/tonne
	Close	Previous	High/Low	
Apr	62 G	63 0	622616	
Fyrngye	or 16 (14)	tats of 20	ionnes.	
SOYAR	HEAL -	London FO	x	Cronne
	Close	Previous	High/Low	
Feb	152 00	<u>. </u>		
Turnovi	w 0 (25)	lots of 20 to	prines	
FREIGI	HT - Lor	ndon FQX	\$10/Ind	ov point
	Gloge	Previous	High/Low	
Jan	1304	1280	1304 1290	
Fab	1270	1260	1270 1265 1260	
Apr Jul	1265 1130	1245	1130 1125	
Oct	1305		1305	
BF1	1365	1360		
Turnov.	r 242 (83			
GRAIN	S - Lone	los FOX		E/torario
Fheat	Close	Previous	High/Low	
	135 70	134.50	135.70 134	
Aar	137 00	136 15	135.70 134 137 00 136.	20
ABr VLN			135.70 134	20
Aar May Sep	137 00 139 00 107.75 110 00	136 15 138 35 107 00 109 25	135.70 134 137 00 136. 139.00 138 107 75 110.00 109	20 60 50
Aar Aay Sep Yov	137 00 139 00 107.75	136 15 138 35 107 00	135.70 134 137 00 136. 139.00 138 107 75	20 60 50
Aar Aay Sep Yov Jan	137 00 139 00 107.75 110 00	136 15 138 35 107 00 109 25	135.70 134 137 00 136. 139.00 138 107 75 110.00 109	20 60 50
Aar Aav Sep Vov Jan Sarley	137 00 139 00 107.75 110 00 113 50 Close 131 50	136 15 138 35 107 00 109 25 112 50 Previous 130.90	135.70 134 137 00 136 139.00 138 107 75 110.00 109 113 60 113 Righ/Low	20 60 50 25
Aar Ally Sep Vov Jan Barley Jan Agr	137 00 139 00 107.75 110 00 113 50 Close 131 50 133 75	136 15 138 35 107 00 109 25 112 50 Previous 130.90 133 30	135.70 134 137 00 136, 139.00 138 107 75 110.00 109 113 60 113 High/Low 131.50 131, 133 75 133	20 60 50 25 00
Aar Ally Sep Vov Jan Barley Jan Agr	137 00 139 00 107.75 110 00 113 50 Close 131 50	136 15 138 35 107 00 109 25 112 50 Previous 130.90	135.70 134 137 00 136 139.00 138 107 75 110.00 109 113 60 113 Righ/Low	20 60 50 25 00
Jan Mar May Sep Nov Jan Barley Jan Mar Nov	137 00 139 00 107.75 110 00 113 50 Close 131 50 133 75 110 50	136 15 138 35 107 00 109 25 112 50 Previous 130.90 133 30 108 75	135.70 134 137 00 136 139.00 138 107 75 110.00 109 113 60 113 High/Low 131.50 131 133 75 133 110 50 110	20 60 50 25 25 00 00
Mar May Sep Way Jan Barley Jan Mar Mar	137 00 139 00 107.75 110 00 113 50 Close 131 50 133 75 110 50 Wheat or lots of	136 15 138 35 107 00 109 25 112 50 Previous 130 90 132 30 108 75 389 (107), E 100 Tonnes	135.70 134 137 00 136, 139.00 138 107.75 110.00 109 113 50 113. High/Low 131.50 131, 133.75 133, 110 50 110, Barloy 195 (20 60 50 55 25 00 00 11(9)
Mar May Sep Wov Jan Jan Mar Wov (unover	137 00 139 00 107.75 110 00 113 50 Close 131 50 133 75 110 50 Wheat or late of	136 15 138 35 107 00 109 25 112 50 Previous 130 90 137 30 108 75 389 (107), E 100 Tonnes	135.70 134 137.00 136. 139.00 138 107.75 110.00 109 113.50 113. High/Low 131.50 131. 133.75 133. 110.50 110. Sarloy 185 (20 60 50 55 25 00 00 11(9)
Mar May Sep Nov Jan Barley Jan Mgr Nov	137 00 139 00 107.75 110 00 113 50 Close 131 50 133 75 110 50 Wheat or lots of	136 15 138 35 107 00 109 25 112 50 Previous 130 90 132 30 108 75 389 (107), E 100 Tonnes	135.70 134 137 00 136, 139.00 138 107.75 110.00 109 113 50 113. High/Low 131.50 131, 133.75 133, 110 50 110, Barloy 195 (20 60 50 55 25 00 00 11(9)

LONDON	METAL EXC	HANGI	•		(Pric	es supplie	d by Amai	gamated	Metai Tredi
	Clase	Prev	lous	High/L		AM Offici			Open Intere
Aleminium	99.7% purity	(\$ per	tonne)				Total d	elly turno	war 39,662 l
Cash	1201-2		.5-6.5	1199.5	1199.5	1199.5-120			105 050 1-1-
3 months	1224.5-5.0	1219	-20	1224,5	1215	1222.5-3.0			185,068 lots
Copper, Gr	ade A (E per	_	5-1.5	1401.5/	1400 E	1400.5-1.0	100010	any cumo	wer 42,574 i
3 months	1397.5-8.5 1425-6	1428		1435/14		1428.5-9.0	1429-	30	150,292 lots
Lead (£ per	tonne)						Total	daliy turn	over 5,081 k
Cash	289-9.5	286.5		289/287		287-7,5		.	
3 months	298-300	297-7	.5	299/297		296-7	299-3		28.033
Nickel (\$ pe				Froite			10001 0	ally turno	ver 12,232 k
Çash 3 months	5750-80 5825-30	6765 5845		5788/67 6850/66		5766-7 5484-50	5820-	30	41,032 lots
Tin (\$ per t							Total (over 3,337 k
Cash	\$680-90	5770				5720-30			
3 months	5740-50	5830-		5820/57	20	5780-5	575-60		9,629 lots .
	al Hiigh Grade	<u> </u>		4514.51	****	1000	10081 0	ally surno	ver 33,347 k
Cash 3 months	1047-8 1068-7	1047- 1068	ય 5-0.ઇ	1044.5/		1044-6 1084,5-6.0	1070-2		71,452 lots
LME Closk	g C/S rete:								
SPOT: 1.56	10	\$ mon	ths; 1.5	547		months: 1	.5442	. 9	monthe: 1.53
									
	BULLION MA		مالت		N	ew 1	fork		
	plied by N M	Home	Sund)					<u> </u>	٠.:
Gold (troy	OZ) S price	1	equatve	elent · '	GC	LD 100 troy			
Cłose	334.90-335					Close	Previou		
Opening Morning fix	334.60-334	.90	215,838		Dec Jan	334.0	334.6 335.0	335.6	334.4
Morning its Afternoon f			213,836 213,811	_	Feb		335.4 336.5	335.8 336.9	335.3 336.3
Day's high Day's low	335.00-335. 334.20-334			-	Jun	397-9	338.0	338.4	337.9
	Isan Gold La			/= URES	Aug	343.0	339.6 341,3	ő	0.
1 month				2.12	Dec		343.1 345.3	343.2	343.2 0
2 months	1.65 1.67	6 mai 12 ma		2.51	_	TINUM 50		TOV 07.	
3 manths	1.67				==	Close	Previou		aw .
Silver (IX	p/troy oz		18-¢m €	odnja.	Jan	384.5	365.4	365.0	363.5
Spot 3 months	237.00 241.50		71,50 75.86		Apr Jul	362.7 361.5	363.7 362.9	363.0 361.5	381.0 360.6
6 months	246.45		79.35		Oct	384.1	364.1		0
12 months	253.85	8	87.10	•	SIL	VER 5,000 t	rdy ož; čes	tertroy or	
GOLD COH	His				_	Close	Previous		
	\$ price		vlupe 3	alont	Dec	369.1 369.5	370.4 371.0	370.0 370.0	389.5 · 370.0
Krugerrand			214,00-		Feb	371.3	372.6	. 0	0 .
Maple leaf	344.65-34	6.90			Mar Mary	372.2 374.0	373.7 376.4	373.5 376.0	372.0 375.0
Mam 2040ut	rign 78.00-61.	30	50.00-51		Jul Sep	377.5 380.3	379.0 381.8	_ 378.5	377.5
TRADED O	PTIQNS				Dec	384.7	386.2	ŏ.	ō.
Aluminism	89.7%) (alla `		ute	· Jen Mer	385.9 389.8	387.4 391.3	9	0
Strike price	\$ tonne Jan	Apr	Jen	Apr		H GRADE			
1150	62	81	3	6	. ===	Close	Previous		
1175 1200	40 22	81 44	4	11 19	Dec	96.80	97.60	95.60	96.20
Copper (Gra		alls		uts ·	Ján	29,15	96.15	99.00	98.50
2100	103	124	3	<u> </u>	Peb Mar	99.50 99.85	98.55 96.95	. 0 29.65	- C 199.26
2150	58	86 .	ě	19 37	Apr	100.20	99.35 99.70	0	0
2200	25	54	. 22	ar	Jun	100.00	99.70 100.05	199.65. 0	99.95
Colfee	Jan	Mar	Jeur	Mar	Hel DUA		100.35	101.30	100.70
350	55	95		16	Sep		100,65 100,95	. 101.90	0 101.20
000	ុ រីវិ	€0	6	32	CRU	DE OIL (LI			
1050		36	45	.58	_	Latest	Previous	High/L	
Secos	14er	May	Mer_	May	Jan	18,98	19.00	18,11	78,95
150 175	55 11	93 80	8.	15 32	Fab	19,12	19.20	19.21	19.06
700		38	15.	58	Mer Apr	19.20	19.26 19.85	19.30	79.18 19.28
			<u></u>	 -	· May	19,32	19,40	19.40	19.32
Brent Crude	Jan	Feb	Jan .	Feb	JUN Verteren	19,37	18.42	19,44	19.35
	•	.35 14		6					
				.10-	٠.	+			
1800 1860 1900				. 4 .	4	-	1		\cap
1860					. 1		1		
1860	•	• •		· 🄰 '	J.	7	٠,٠	ייוו	
1860				1	4	יייל		הלוו	Ma
1860				L	Υ.	7''	۳,۰	11,10	MO
1860			-	-	<u>\(\) \</u>	7''	.,-		
860			-		<u>\(</u>	7''	.,		
860				L	<u>\(</u>	7''	.,	11,70	

Jan Feb	5390						,000 bu min;		
Feb		5418	5435	5360		Close	Provious	High/Low	
	5480	5614	5525	5456					
Mer	5500 5425	5631 5451	5540 5455	5460 5420	Jan Mar	570/6 574/6	571/4 575/4	571/8 575/6	589 · 573
Apr May	5356	5383	5360	5745	May	580/2	580/4	580/6	- 5/3 578
iun Jun	5315	5331	5315	5300	Jul	585/6	586/6	586/4	584
Jul	5350	5369	5360	5345	Aug	587/0	589/0	58B/4	587
Aug	5425	5419	5440	5425	Sep	687/4	589/0	587/4	586
Sep	5520	5534	5520	5520	Nov	592/0	593/0	592/6	590
Oct	5630	5629	5830	5830	Jan	599/4	803/0	600/2	599
coco	A 10 ton	nes;\$/lonne	5		SOY/	ABEAN OR	. 60,000 lbs;	conts/lb	
	Close	Previous	High/Lo	w .		Close	Previous	High/Low	•
Dec ·	· 915	907	916	918	— Dec Jen	20.72 20.81	20.83 20.90	20.83 20.85	20.6
Mar	957	949	959	946	Mar	21.02	21,10	21.15	20.7
May	984	976	985	974	May	21.16	21.21	21 24	21.0
Jul	1010	999 .	1010	993	اتال	21.27	21.30	21.36	21.1
Зер	1031	1021	1033	1021	Aug	21.28	21.27	21.33	21.1
Dec	1086	1058	1088	1060	Sep Oct	21.25	21,27	21.30	21.2
Mar May '	1099	1091 1113	1095 <i>0</i>	1095 <i>0</i>		21.20	21.25	21.20	21.1
Jul	1154	1145	0	C	SOYA		AL 100 tons;	\$/ton	
Sep	1178	1168	0 .	0 .	<u> </u>	Close	Provious	High/Low	
COFFE	Œ °C 37	,500lbs; ce	nts/fibs		Dec	188.7	188.8	198.8	187.
	Close	Previous	High/Lov		nat. — Mar	185.8 184.8	188.1	186.0	184.
Dec	79.50	78.50	79.80	77.75	- May	184.4	185.1 184.8	185,1 184,8	183.
Mar	78.70	79.05	79.20	77.90	Jul.	185.5	185.7	185,8	183 184.
May	82.25	82,45	82.75	81.50	Aug	185.9	. 186.3	186.8	185.
اربا	83,95	84.10	84.30	83.25	Sep	186.9	187.3	187.8	. 186,
Sep Dec ·	85.30 87.35	85.80 87.55	85.60 68.00	85.25 87.50	Oct	188.7	188 7	168,8	187.
Mar .	90.00	89.50	90.10	90.00	MACZ		min; centa/5	6lb bushel	
SUGA	R WORLD	*112,0	00 libe; cei	ita/ība	- - <u>-</u>	Close	Previous	High/Low	
	Close	Previous	High/Lov	,	- Dec Mar	213/2 222/4	212/6 222/ 2	213/4 222/6	212/
Mar	£.18	8.27	8 27	B.15	- Mey	230/0	230/0	230/0 .	221/0 229/3
idey	8.34	8.44	6.43	6.33	الال	236/4	236/6	235/8	234/
w	8.44	8.53	8.53	8.44	Sep Dec	239/2 244/0	239/8 244/4	240/0 244/2	230/
Oct	8.47	8.57	8.55	8.47-	Mar	250/0	251/2	250/4	248/0 249/0
War . Way	8.59 8.75	8.67 8.78	8.63 0	8.83 0	WHEA	T 5.000 bu	min; cents/6		E-101
					- · - · ·	Close	Previous	High/Low	
	Close	Previous	High/Lov		- Dec Mer	371.0 360/2	3742	375/0	370/6
vier .	68.86			58.25	- May	344/6	362/2 347/2	363/4 347/2	359/4
vier Ver	-59.69.	58,64 59,55	58.50 59.50	59.30	. Jul	319/4	322/6	322/4	319/0
iul	60.63	50.62	80.50	· 60.25	Sep Dac	328/4 337 <i>7</i> 0	328/4	327/0	326/0
)ct	59.70	69,64	59.55	\$8.60 `			339/0	338/0	336/4
) DC	59,25	59,15	59.25	58 00-	LIVEC		000 lbs; cent	a/ibs	
Mar May	59.95 50.25	60,05 60,45	0	6	. <u> </u>	Close	Previous `	High/Low	
		15.000 Rbs;		<u> </u>	- Oec Feb	78.225 76,050	79.300 '	79.425	79.10
7.7.444					- Apr	75.575	76.300 75.875	76.250 75.960	75.90 76.50
	Close:	Previous	High/Lov		Jun	72.225	72.435	72.525	72.15
en .	92.70	93.70	B4.00	92.50	Aug	70.650 . 71.100.	70.825 : 71,200	70.850	70,60
der : dey	95.00 96.50	96.90 98.90	97.25 96.50	95.40	Dec	71.500	71.500	71.400 : 71.550	71.10
way Wi	98.00	99.15	99.50	97.75	LIVE	OGS 40 m	0 lb; cents/R		
	***	98.60	99.40	97.60 .					
٠.	08.05	OR SE	. 40 no .:	97.AN	: , 	Close	Previous .		:
an .	- 85.05	95,30	98.50	95.20		4575.	44.725	44.725	44.35
	99.05	98.30		0	Feb Apr	43.750 42.000	44 <u>,025</u> 41, 92 5	44.150	43.60
es.	98.05	98.90	D." .	_0	JOI	46.325	46.325	42 025 46.425	41,65 46,10
				 -	Jul	45.850	45.725	45.950	45.65
НΩ					, AUG	44.650	44.675	44,700	44.40
REU	Ters (B	sse;Septer		1931 - 1	Oct Dec	41.050 42.650	41,200 42,650	41.100	41.000
1007				 .	:: < 			42.700	42.60
		902.14		1603.1	- CHOK		0,000 fbe; ce		<u></u>
		1857.9	1672.3				Previous		<u> </u>
DOM	- JUNES	Báse; Dec.	37 79/4 **	1001	Feb Mar	35.725 36.775	38.575		39.150
		_Dec.11,	drawn 30			90.150	40.000	40.160	38.30 39.55
5000	122.00	121,92	117.58	113.00	. And	. 403An .	40.525	40.560 .	40,200
- UNION	s, 1254	sixted	. 112,00 :	: الباهات		38.600		98.800 ···	
	<u> </u>	;∙` <u>∀_</u> 5	;;;;;	17727	errige je u	·			
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Second line issues take the lead again

By Terry Byland,

UK Stock Market Editor THE TAIL wagged the dog to some effect in the UK stock market yesterday, when buoyant demand for stocks in the FT-SE Mid 250 Index helped the blue chip shares withstand a bout of nervousness ahead of the expiry on Friday of the cur-

FT-SE 100. Investors were clearly unsure at first whether the stock market had run its course for this year, and early trading saw the Footsie down 11 points to 2,710.4; some London-based houses remain convinced that 2,700 will prove

rent futures contract on the

to be the year-end reading. But solid demand for the second line issues kept the FT-SE Mid 250 Index firm throughout to show a gain on the day of 12.5. The FT-SE 100 rallied, in spite of some distaste for a gloomy distributive trades' survey from the Conderation of British Industry (CBI) and news of a sharp rise in UK manufacturing input prices last month. At midsession the index edged into positive territory, showing a

The final reading put the FT-SE Index at 2,717.9 for a loss on the day of 3.9 points. Traders regarded this as a creditable performance, since London's late recovery was

restrained a little by an early

decline of 10.54 Dow points on helped to boost the day's Seaq discouraged the stores sector, mostly held to a few pence and Wall Street following a gloomy volume total to 549.9m shares

statement from IBM. The erratic performance in the Footsie largely reflected hurried switching between the blue chips and the Footsie Décember futures contract as the big investment houses strove to balance positions ahead of Friday's stock index

futures expiry. These technical factors better than last year's, mildly

Volume Cooking Cay's 800's Price chance

from the 438.4m of the previous session. But low retail, or customer, business on Monday, worth only £846.8m, appeared to confirm that the big investment institutions are already

winding down for the year. The CBI survey, indicating that retailers expect this December's sales to be little

TRADING VOLUME IN MAJOR STOCKS

where analysts hope for a rebound in the Christmas sales which provide the bulk of the year's profits at the big national retail and store

chains. But market analysts did find the CBI report entirely convincing and preferred to wait for the official November retail statistics, which are due today. Falls in retail stocks were

72 -1 173 -2 26 -2 26 -3

there was no pressure elsewhere in the market.

The very modest increase in UK manufacturing production in October was virtually in line with expectations and a similar rise in November output prices was also found acceptable. But the increase of 2.4 per cent in producer input prices was received more nervously because of the underlying fear that sterling's devaluation

nressures. At County NatWest, Mr Bob Semple commented that the input price news might prove "a cautionary note for the future", counterbalancing the widely expected fall in headline inflation numbers as mort-

Tate deal hinted

HINTS that Tate & Lyle was negotiating with PepsiCo over new sweetener contracts sent Tate's shares forward smartly late in yesterday's trading session. Analysts said Tate had confirmed yesterday that it is supplying PepsiCo, although it had refused to give any detail

on the new arrangements. Some observers speculated that, with the intense price war in the sweetener market continuing, any new contract prices would probably have been tightly squeezed, and that volume levels could be affected by the recession and the poor

US summer. However, others said that Tate, which has been making a spate of presentations, had declared itself confident of maintaining sweetener volume levels this year. The shares, steady for most of the session, ended 51/2 up at 3971/2p.

Cadbury views

Cadbury-Schweppes shares were attracting widely differ-ing views yesterday as County NatWest downgraded the group and moved it to its sell list, while Smith New Court opted to change from seller to buyer. The food manufacturer has been hosting a number of presentations recently, a factor which has undermined the shares as some brokers have been said to have found little to be enthusiatic about.

After seeing the group yesterday, County moved from a buy to a sell, slimming its

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (69, AMERICANS (6) Self AMERICA, BOWNEY Inc., LOVE'S, VATY, BURLDING MATERIALS (1) Wolseley, BUSBRESS SERVICES (2) ISS-RITL SAT'S, BERGESS SERVICES (2) DEPARTMENT, DESCRIPTION, SEGO, TURSES, ENGENERALS (3) CRITCH, Harris, Siebe, FOOD HARRIFACTHINGS (2) HOSTE (1) ROYAL, MESURALTH A NOUSENDLD (1) UNICHER, MESURALTH LEY (2) BITSLINIC, REULY, MESURALTH RESTORMENT TRUBTS (12) ADMINE Prid. Zero PL, Drayton Saue Chip, ETM Inc. Zero PL, September (1) Trusty (1) ETM Inc. Zero PL, September (1) Trusty (1), MESURALTH (2) CA, City of Lon., EMAP, Flexhold, News Int., Telegraph, Watthoughes, METAL & METAL FORMING (1) Trusty (1), MESCELLANGOUS (2) BIRTON, Deriva, OR & GAS (5) BOWNES, Shelf /PC PL, OTHER PROMORDAL (2) CASIGONIA, CRITCH & METAL MATERIALS (1) CHARTE CORE, PACKAGING, PAPER & PRINTING (2) BOWNES, PETRALES (1) Devening, CILL SERVICES (2) BURTON, CURS (1) TEXTELES (1) Devening, TRANSPORT (1) TIDENT (2) BUSBING, MATERIALS (2) DEVENING, MATERIALS (2) DEVENING, MATERIALS (3) DEVENING, MATERIALS (3) DEVENING, WATER MENUTING (2) BUSBING, MATERIALS (3) NEGRES, COMBAC, MENUTING (3) BUSBING, COMBAC, COMBAC, COMBAC, COMBAC, MENUTING (3) BUSBING, COMBAC, COMBAC, COMBAC, MENUTING (3) BUSBING, COMBAC, COMBAC, MENUTING (3) BUSBING, COMBAC, COMBAC, COMBAC, COMBAC, MENUTING (3) BUSBING, COMBAC,
(1) East Surrey.

(2) East Surrey.

ESPL LOWS (2).

BIRLIGHO, MATERIALS (1) Needler.

BIRLIGHOS, MATERIALS (1) Needler.

BIRLIGHOS, SERVICES (2) ENER Res., Comac.

Lop., CONGLIGHOSTATES (2) Goods Durrant.

Resch. HEALTH & HOUSENOLD (1) Crown

Syeghose, HOTELS & LESSURE (2)

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AMSCRIANSOUS (1) Piltard Garner.

AMOTORS (2) ERF. Volkswagen, GR. & GAS
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PAPER & PRINTING (2) Suppl. Wasc.

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Campant, TYANISPORT (1) THE Juryop. MIMEE
(3) Arigio Amer. Cod.) Deedgraat, Durban

Deep, Hartsbeect, Aircenia West.

earnings per share figure for this year and trimming its profits estimate for next year by £4m to £382m. The house blamed continuing weakness in the European soft drinks

market. UBS Phillips & Drew was also said to be selling the stock yesterday. However, Smith said it had heard nothing from Cadbury to change its view that the shares were "within 5 per cent of a good buy", particularly for long-term funds. The stock fell 11 to 442p.

Water placing

The placing of Welsh Water's 14.9 per cent stake in South Wales Electricity, with the former taking a £17m profit on its investment, was the trig-ger for a steep rise in Welsh Water shares. South Wales Electricity stock, on the other hand, fell sharply as fingering hopes disappeared that the 15 per cent stake could have been used as a platform for a takeover bid.

The stake, comprising 15.1m shares, was placed jointly by County NatWest and Cazenove, via a series of agency crosses

Welsh Water acquired the bulk of its shareholding during the first few trading sessions following privatisation of the regional electricity companies in December 1990, adding the rest early in the following year. The water company hoped to forge links with its fellow Welsh utility with a view to

cost savings but was rebuffed. South Wales Electricity slipped 8 to 473p on 31m traded, while Welsh Water closed 16 higher at 529p, albeit after extremely thin turnover of 391,000 shares.

Rumours abounded in Hills-down as the shares advanced, closing 10 in front at 122p. One version had the food group warding off a bid, another that a company would make a statement today on recent volatility in the shares. Neither story found much credibility with analysts, who suggested that rumours often circulated ahead

of Hillsdown's closed period. The world's biggest mining group, RTZ, fell 18 to 623p after a profits forecast downgrade by Smith New Court

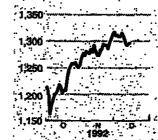
Smith cut its profits estimate for 1993 by between \$40m to £50m from £490m and its earnings per share prediction by 4p

The implications of a meeting hosted by Swedish pharma-ceutical group Astra hit Glaxe and the shares closed a net 19 lower at 791p. Astra presented data which suggested that the use of its drug Losec, combined with an anti-biotic, had managed to wipe out ulcers in trial natients for at least 20 months. Analysts said it was too early to argue that Glaxo's anti-ulcer drug Zantac, which accounts for half of the group profits, would be badly affected.

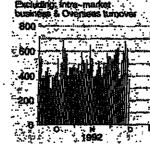
Wellcome receded 3 to 1021p in spite of a confident annual statement. Grim news from Petrofina

and Total continued to overshadow the oil sector, but BP managed a small midsession

FT-A Ali-Share Index



Equity Shares Traded Tumöver by volume (million)



rise before easing back to close unchanged at 224p after reports that it may have made an oil discovery west of the Shetland Islands

would be the second in the area since Amerada Hess about a year ago. Lack of official confirmation of the find was attributed to the 14th oil licensing round due to take place next

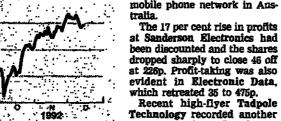
BZW's buy recommendation continued to drive Burmah Castrol shares higher, with the stock closing a further 15 up at 693p on 1.1m traded. BZW cited Burmah's ability to achieve 5 per cent per annum real earn-ings per share growth and its strong cash flow. "The shares deserve a premium rating and we see fair value at 750p to 800p," said BZW's oil team.

Shares in Channel tunnel operator Eurotunnel were hit early in the session and were down 17 at 323p, the day's worst, after TML, the tunnel's constructor, said talks about cost overtuns had once again

broken down. Bargain hunting and reports from the company that an arbitration ruling on the dispute may be possible in the second half of next year helped the stock recover some of the ground lost. The shares closed a net 11 off at 329p after trade of 1.3m shares.

Vodafone ran up 8 to 417p

after the Arena GSM consortium, led by Vodafone, won the third licence to operate a



see-saw session. The shares, which were placed at only 65p two weeks ago and spiralled upwards to touch 240p early on Monday before coming under persistent selling pressure, fell a further 13 to 166p yesterday. Electronic component issues

were strongly supported amid hints of a couple of broker buy recommendations, Diploma surging 17 to 382p and Electrocomponents 11 to 364p.

Another profits downgrad

ing, this time from County NatWest, depressed English China Clays, leaving the

spares to close 15 lighter at
400p.

Gestetner hardened a penny
to 150p, with Incheape, 3 firmer
at 498p, once again mentioned
as a hidder for the office and
hypographic continued and

as a bidder for the office and photographic equipment distributor.

In motors and engineers, Kwik-Fit moved 5 ahead to 101p, as speculation that retail group Kingfisher would soon launch a bid for the motor repair company returned. Siebe appreciated 5 to 404p, a common five-year high. Also wanted were Charter Consolitated and GKN. The former dated and GKN. The former moved forward 18 to 570p,

moved forward 18 to 570p, while GKN gained 4 to 433p.

Talk that a buyer was sniff-ing around Hammerson sent the 'A' shares forward 23 to 277p, although analysts were generally dismissive.

Franco-British paper group

Arjo Wiggins Appleton continued to attract profits forecast less than 12 per 1990.

See 2001.

The 2001.

ued to attract profits forecast downgrades. Yesterday it was S.G. Warburg which hit the shares by turning seller, mov-ing its 1993 estimate to well below the market consensus and cutting back its dividend estimate. The house believes Arjo will make £125m next

year. The shares fell 9 to 132p. Specialist printing group Wace plunged 25 to 52p after announcing a profits warning and £37m write-down. Hoare Govett cut to a loss of £34m for 1992 against a previous profits

Yeer ago

FINANCIAL TIMES EQUITY INDICES

	Dec 15	Dec 14	Dec 11	Dec 10	Dec 9	200	High	Low
(Indicary share	2067.3	2067.2	2062.8	2064,2	2074.8	1846.2	2149,7	1670.0
Circl. (Sv. yield)	4.49	4.49	4.48	4.48	4.45	4.99	5.34	4.24
Earning yid & full	6.17	6.17	6.16	8.15	6.11	7.50		-
P/E ratio net	20 74	20.74	20.78	20.81	20.93	†6.75	21.21	15.79
P/E ratio nil	19.10	19.10	19.13	19.16	19.27	15.86	•	-
Gold Mines	84.7	65.5	65.7	66.4	67.8	147.5	160.6	63.0
tor 1992 Ordinary Gold Mines Index Basis Ordinary shi	elace con	npitetion i	Not: 734.	7 15/2/83	2149,7 22/ low 43.5	542 - Io 28/10/71	# 49.A 2E/	5/40
Ordinary Share Non	rly change	Æ		-				

9.00 10.00 11.00 12.00 13.00 14.00 15.00 16.00 Herb Con 2065.3 2063.5 2065.5 2071.9 2074.5 2072.3 2068.8 2068.9 2067.5 2075.2 2060.7 Dac 15 Dec 14 Dec 11 Dec 10 24,244 848,8 28,202 29,526 1496.4 33,962 25,579 1453.1 29,799 22,003

387.0

London report and latest Store Index Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

621.8

could reignite inflationary

gage cuts continue to take

Equity strategists suggested that the underlying tone of the stock market appeared firm enough and that share prices were likely to close the year in good shape, once the stock index futures expiry is safely

out of the way.						
Account	Dealing	Dates				
Tiret Destings: Nov 30	Dec 14	Jan 4				
Option Declaration (Sec 10	Dec 30	Jan 14				
Lest Dealings: Dec 11	Dec 31	Jan 15				
Account Day: Dec 21	Jan 11	Jan 25				

forecast of £15m, For 1993, the house came down by £8m to a profits estimate of £11m. **Queens Moat Houses** retreated 21/2 to 37p after one of its joint brokers, BZW, reduced

its forecasts. The stores stocks were depressed, the CBI survey doing the damage to sentiment. Burton stood out, up 41/2 to 661/2p with 12m traded, as talk of poor trading was considered overdone.

A squeeze helped P & O jump 17 to 476n. A shortage of stock was also reported in Associated British Ports, where the shares closed 18 up at 348p.

MARKET REPORTERS: Peter John, Joel Kibazo, Christopher Price. Steve Thompson.

Other market statistics, Page 20

FT-SE Actuaries Share Indices THE UK SERIES FT-SE 100 FT-SE MID 250 FT-A ALL-SHARE 2717.9 -3.9 2680.4 + 12.5 1295,90 +0.02 Dec 15 Dec 14 Dec 11 Dec 10 Dec 9 Lon High FT-SE 100 2721.8 2716.2 2726.5 2750.7 2281 0 2792.0 2432.9 2792.0 1/12/92 23/7/84 FT-SE 1884 258 2665.6 2672.5 2355.6 2825.8 2157.8 20/5/92 21/1/86 FT-SE-A 350 13180 1322.4 1332.4 1177.4 1/12/92 13.00 11.08 12.00 14.00 16.10 Nigh/day Low/day 10.00 15.00 FT-SF 100 2717.7 2712.7 2713.5 2721.9 27207 2723.2 2717.4 2717.6 2717.0 2723.3 27104 FT-SE MIA 250 2670.0 FT-SE-A 350 1319.4 2668.7 2670.6 2675.0 2678.6 2679.6 2679.2 1319.4 1317.3 1317.8 1321.1 Gross dividend yield (ACT at 25%) FT-SE 100-4.50%

Tuesday December 15 1992

FT-Actuaries All-Share

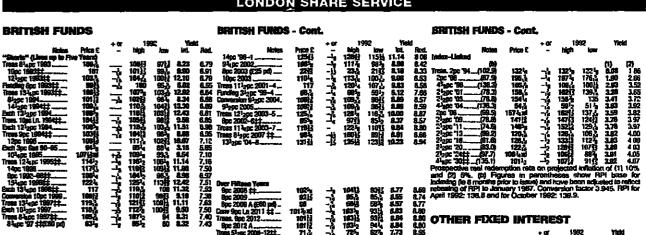
EQUITY GROUPS

	A CUR CENTIANA							_ 44		10	Approxi
Fi	& SUB-SECTIONS gures in parentheses show number of stocks per section	Index No.	Day's Cannge	Est. Earnings Yield% (Max.)	Gross Div Yield % (Act at (25%)	Est P/E Ratio (Net)	rd adj. 1992 to date	Index No	Index No	Index No.	Index No.
1	CAPITAL GOODS (175)	803.97	+0.1	7.03	5.34	18.55	31.00	802.85	202.18	802 53	732 77
2	Building Materials (23)	803.66	+0.4	635	6.73	22 48	46 39	798 B3	896.05	199 87	
3	Building Materials (23) Contracting, Construction (26)	647 87		4.28	7 65	63.08			646 14	646 25	
4	Electricals (9)	2336 20	+2.1	7 19	6.47	18.18	109 61	2287 97		2237 73	
5	Electronics (28)	2205 40	+1.4	6.97	3.91	18.21	52 39				
- 6	Fratmeriag-Aerospace (6)	260 50		13 14	8 72	9.69	16.18	269 65	266 92	263.98	323 93
ž	Engineering-General (43) Metals and Metal Forming (7)	267 47	+0.4	8.62	5.04	14.81	17.35	465 43		466.63	458.04
ā	Metals and Metal Forming (7)	297 na	+0.1	5.72	4 34	25.52	9.49	296.84		296 17	297 19
Ğ	Motors (15)	346 66	-01	5.87	6.79	24 86	17.77	346 94		348 35	290 37
10	Motors (15) Other industrials (18)	1851 30	-ŏ.ź	6 74	4.53	17.92	62 07	1865.04			1466.21
21	i rodšilu po cohilo (1911	1405 24	-04	6.88	3 45	18.06	43 25				
22	Brewers and Distillers (25)	1987 79	+0.9	8.36	3.81	14 48	54 23	1970 84			
25	Brewers and Distillers (25)	1274 05	-0.2	8.26	4.20	15.13	40 47	1276.49			
26	Food Retailing (18) Health and Household (26) Hotels and Leisure (18)	3143 02	-03	8.20	2 99	15.88	70 26				
27	Health and Household (26)	4270.24	-1.5	5 21	2 65	22.32	88.04		4349 96		
29	Hotels and Leisure (18)	1199.42	+0.7	6.97	5.74	18 85	46 03	1191 66		1190 94	
301	Madua (25)	II 740 NZ	+0.3	5.69	2.96	21.90	39.40			1748 35	1334 60
31	Packaging, Pager & Printing (17)	747.12	-1.0	6.99	4 36	17 74	24.33	754 29			723 57
34	Stores (33)	1104 63	-07	6 60	3.29	20.07	26 56		1108.28		
35	Textiles (10)	692.61	-1.1	6.86	4.40	18 37	23 64	700.60		705 82	588 40
40	OTHER GROUPS (116)	1376.81	+0.4	9.07	5.06	13 70	50.02			1381 36	
41	Business Services (17)	1418.11	+0.6	6.25	3.59	19.58			1389.85		
42	Chemicals (22)	1367 11	-0.3	6 68	5 36	18 93	54.80		1372 80		
43	Congiomerates (10)	1298 86	-1.0	10 06	9.12	12 32	54.22	1311.36	1316 44	1335 93	1289 03
44	Transport (14)	2636 16	40.8	8.51	4 52	14.12	88 31		2599 86	2616 81	2271 22
45	Clastelelou (16)	1470 02	-0.9	14 53	5.10	8 85	56 57	1492,92	1488.25		
46	Telephone Networks(4)	1613 65	+10	8.26	4.24	15 74	65 69	1598.35	1602.54	1615 17	1371 10
47	Water(11)	3232 72 1	+1.5	14 10	5.46	7 88		3184.12	3157 37	3162 63	2240 85
48	Miscellaneous (22)	2417.71	+0.8	5 87	4.19	21.04	61 03	2397 77	2385 25	2405 23	1709 37
49	INDUSTRIAL GROUP (482)	1370.65		7 63	4 30	16 41	42 91	1371.30	1369 76	1374 22	1224 08
51	Oil & Gas (1.8)	2110 87]	6 32	6 14	20,78	103 27	2111.28	2096 03	2100 74	2211 34
59	500 SHARE INDEX (500)	1441 22		7 50	4.49	16.77	47 72	1441.86	1439.35	1443 89	1310.30
61	FINANCIAL GROUP (82)	838 51	+0.3	-	5 23	-	33.33	836.40		836 28	703 82
62	Banks (9)	1149.03	+02	5.35	4 85	28 00	41.81	1146 87		1141 19	
65	Insurance (Life) (6)	1694.20	!	- [5.37	-	68 18	1694.98	1689 73	1725 34	
66	Insurance (Composite) (7)	606.49	-01	- 1	4 97	- 1	22.58	607 13	607 79	611 97	489 75
67	Insurance (Brokers) (10) Merchant Banks (6)	7,38.00	+1.4	8.43	7.23	15 94	48.05	727 79	715.30	706 06	976 98
68	Merchant Banks (6)	464.31	+02	- 1	4 93	-	16 75	463.62	462 22	463 82	453.99
69	Property (30)	608.81	+1.1	8.92	6 93	14 69	33.09	602.03	605 95	603 85	805.39
70	Property (30) Other Financial (14)	275.67	+0.6	7.27	6 08	18 10	11 63	274 01	273.81	273 54	230 70
71	Investment Trusts (69)	1266.66	+0.2		3.42	-1	32 11	1264 48	1259.67	1264 67	1139.59
99	ALL-SHARE INDEX (651)	1295.90			4.56	-7	43.73	1295.88	1293 13	1297.40	1165.56
				1							

FT-S	E Act	uarie	s 350) Ind	ustry	Basi	kets	_			Previous	
fourty	Open	9.90	18.00	11,86	12,90	13.60	14.08	15.00	16.10	Close	close	change
inestrea	1277.5	1275.9	1279.2	1279.7	1281,7	1283.3	1283.6	1283.6	1284.1	1284.1	1286.8	-27
tealth & H	1302.8	1296.9	1295.7	1297.3	1295.7	1294.0	1290.2	1289.3	1290.3	1292.0	1311.5	-19.5
Water .	1326.0	1328.9	1329.4	1329.7	1334.7	1336.4	1336.9	1336.6	1335.2	1336.8	1316.5	+ 20.3
lanks	1393.3	1391.7	1396.2	1398.4	1399.4	1399.6	1397,7	1398.8	1397.5	1396.1	1393.5	r 2.6
viditione!	Information	on the Ff	SE ACTUAL	ies Shere	Indices is	published	in Saturday	isaues.	Lists of co	etreutiten	are evalishie	from The

to those indices, is evallable from FINSTAT at the compiled by the London Stock Exchange and the F n with the inethage of Actuaries and the Faculty of

LONDON SHARE SERVICE



** 131 & 111 11713 11.86 9713 8.93 241 7.26 8234 11.55 1074 10.12 973 6.77 10912 18.19 10113 8.28 10013 9.21 10143 18.34 9813 9.09

102% 9215 50 101% of 10117 10172 71.2 9012 127130 96% 10433 95% 6043 10334 10342 7254 924 130 101% Trees 8-kpc 2017 —
7.50 8-kpc 2017 A ## —
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8.05 Careats 4pc —
7.87 War Loan 3-2pc# 4. —
7.98 Cow 3-2pc ## 4. —
7.90 Trees 3pc 65 Aff —
8.27 Trees, 24-pc —
8.27 Trees, 24-pc —
8.27 Trees, 24-pc 45/2 401/4 63/1 35 29/2 29 397, 8,50 354 8,67 59 5,70 2811 8,61 2411 8,57 244 8,59

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Motes Airtean Dev 111_s 2010. Asian Dev 101_{sp} 2008. S'man 111_{sp} 2012. Iraliand Cap 81_{sp} c 10 . Spc Cap 1996. 13pc 97-2. Iraliand Cap 81_{sp} c 10 . Iraliand Cap 81_{sp} c 2011. Iraliand Cap 81_{sp} c 2011. Iraliand Asian Sign 2017. Iraliand Asian Sign 2011. Iraliand Asian Sign 2011. Iraliand Mat Store, 167_{sp} c 2008. Iraliand Mat Store, 167_{sp} c 2008. Continued on next page

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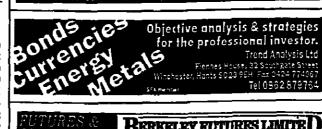
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&BINGLEY £200,000,000 Floating Rate Notes due 1995 accordance with the terms and in accordance with the terms and conditions of the Notes, the interest rate for the period 15th December, 1992 to 15th March, 1993 has been fixed at 7.33594% per annum. The interest payable on 15th March, 1993 against the Coupon 7 will be £180.89 per £10.000 norminat.

Agent Bank

ROYAL BANK

OF CANADA

COMPANY NOTICES

Pursuant to the Indenture dated May 1, 1990, as amended and restated as of June 15, 1990, between the Issuer and State Street Bank and Trust Company, as Trustee, notice is hereby given that for the Interest Accrual Period December 10, 1992 through March 9, 1993, the rates applicable to the Secured Senior Floeting Rate Notes and Secured Senior Subordinated Floating Rate Notes are 3,9875 and 4.4375% respectively.

Pursuant to the Indenture dated

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FUTURES AND OPTIONS TRADING

STRONG two-way business in stock options led to a rise in turnover in the traded options market, reversing the recent dull performance of the sector,

writes Joel Kibazo. Total volume in the traded options reached 40,297 con-

tracts, a significant jump from

Monday's poor 16.634 lots.

Trading in the FT-SE 100

option, however, was poor

with a mere 8,762 lots dealt against 7,283 on Monday. The Euro FTSE option saw 3,005 contracts traded. It was the stock options that

generated the majority of the day's volume. Amstrad led the league table with business amounting to 9,654 contracts by the close. Most of the day's activity was centred on the June 93 calls and puts.

This was followed by Asda, in which 5,005 lots were transacted. Dealers spoke of a buyer of the April 60 calls and a seller of the April 50 puts. Tesco was also active, business reaching 2,728 lots, as was Grand Metropolitan on 2,025. In stock index futures, trading in the December contract on the FT-SE was said to have

been featureless. Having

opened at 2,720, it retreated to the day's low of 2,713 at 9.30am before recovering to attain the day's high of 2,730 at around 11.80am. It finished at 2,721, off 10 from the previous close but at a four-point premium to the underlying cash market. Volume in the December contract came to 7,638 lots, and in the March contract it reached 3,786.

FINANCIAL TIMES WEDNESDAY DECEMBER 16 1992 30 1989 High 161 170 228 36 34 43 *184 522 | Pric | Noise | Pric | Noise | Pric | Noise | Pric | Noise | Pric | Pri 1992 | 1992 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 1993 | 19 765 Gris P/E 7.4 41.1 3.5 d 7.2 20.9 + - -+ - -3.2 19.9 ## (### 1995) ### (## 4.4.14.1 Med Cupim 17,080 Cupim 17,080 Z 528,9 328 17,419 41,483 18 Price 961₂ 145 148 28 161₂ 39 711₂ 521xi Caper 728.9 18.3 158.7 1.06 3.06 0.75 216.9 1,233 P/E
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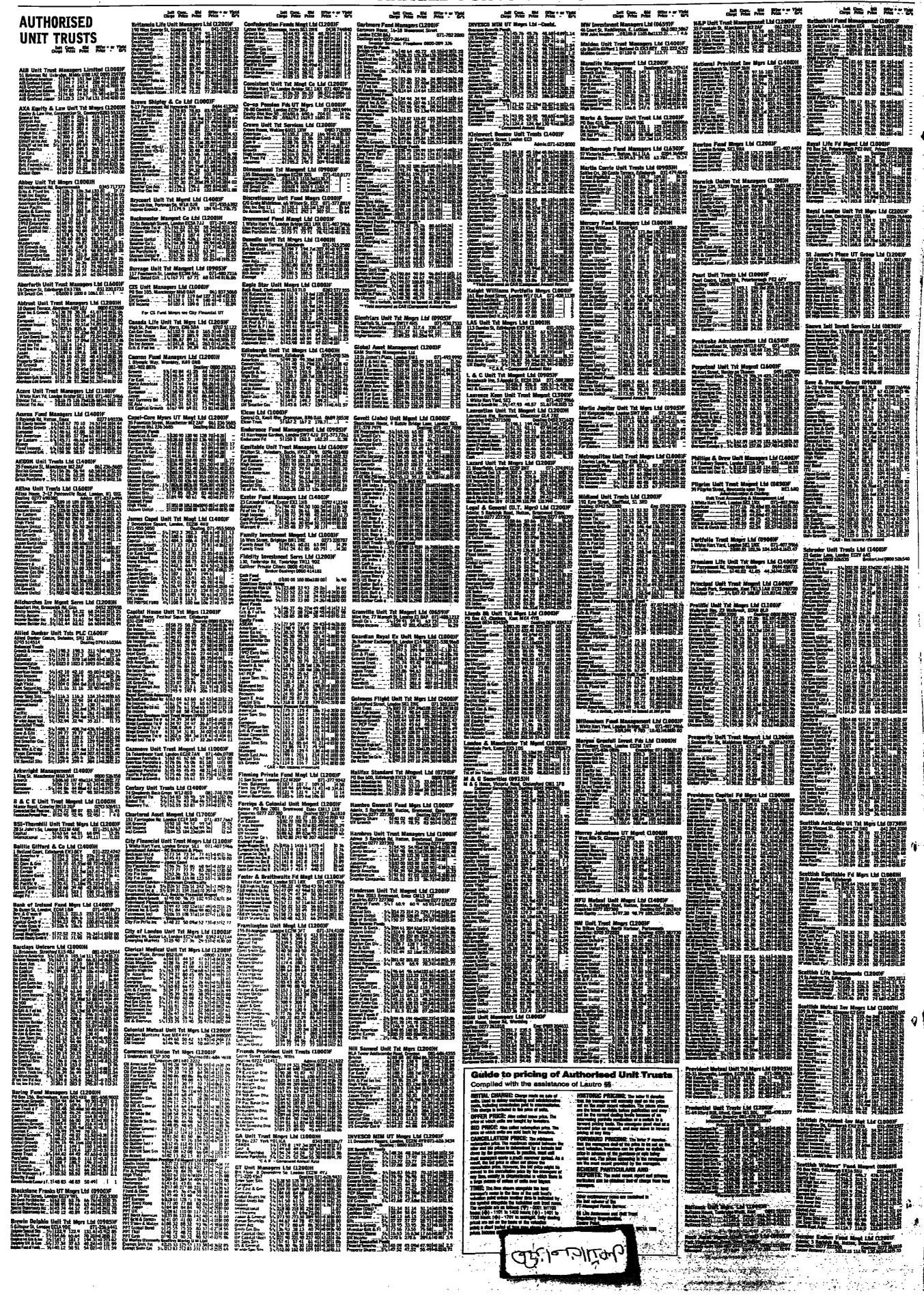
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FOREIGN EXCHANGES

More pressure on French franc

BOTH the Bundesbank and the Bank of France intervened on the foreign exchanges in support of the French franc yesterday, as the D-Mark consolidated its recent strength, writes James Blitz.

Trading in most currencies was extremely thin on account of the Christmas season, and the dollar moved in tight ranges against the D-Mark.

However, dealers increas-ingly believe that the franc may not survive without a devaluation in the run up to the French parliamentary elections in the spring, and trading in the "Mark-Paris" cross rate

News that Mr Pierre Berego-voy, the French prime minis-ter, was due to hold a news conference on Thursday morning excited some dealers yesterday. The subject of the news conference remained unspecified last night.

Mr Otmar Issing, the Bundesbank's chief economist, may have attempted to calm markets by saying that M3 money supply would grow more slowly in November and December, after showing annualised growth of 10.3 per cent in October.

However, any beneficial impact from this statment was

£	IN	NEW	Y	ORK
_	7			Davidson.

UKC.15	Littest	Close				
E Spot	1.5670-1.5680 0.56-0.54pm 1.39-1.36pm 3.90-3.60pm	1.5660 1.5670 8.56 0.54cpm 1.36 1.33cm 3.60 3.70cm				
Forward premiu	Forward premiums and discounts apply to the US dollar					
STERLING INDEX						

STERLIN		
	Dec. 15	Pre
		_

		Dec. 15	Previous
8 30 9,00 10,00 11 00 Noon 1,00 2,00 3,00 4,00	am	80.4 80.4 80.4 80.4 80.4 80.4 80.4 80.4	80.2 80.4 80.3 80.3 80.2 80.2 80.2 80.3
C	URRENC	Y RAT	res

Dec 15	Bank A rate	Special ° Drawing Rights	European Currency Unit
terling IS Dollar anadian S ostrian Sch elgian Franc anish Krone -Mark	- 00 8 8 5 7 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5 5	0 891312 1.39312 1.77525 15.4330 45.1650 8 48480 2 19124	0.79656 1.24702 1.56854 13.7939 40.3193 7.53638 1.95882

Dec 15	Bank of England Infex	Morgan ^{an} Guaranty Changes %					
Sterling U.S Dollar Canadian Pollar Austrian Schilling Beigian Franc Danish Krone D-Blank Swiss Franc Outph Guider French Franc Lira Prescla —	80 4 65.0 94.0 114.6 136.3 117.4 125.7 119.8 108.9 85.5 149.9 100.0	-21.9 -12.6 -7.7 +16.0 +1.7 +11.2 +31.5 +21.0 -8.6 -30.2 +86.8 -24.3					
Morgan Guaranty changes arerage 1980-1982 = 100. Bank of England Index (Base							

Average 1985 - 1005. "Rates are for Dec. 14

OTHER CURRENCIES									
Dec 15	£	\$							
Australia Bracil Bracil Freiand Greece Hong Kong Iran Korasit (imentboorg blaiagala Mediand N Zeoland	4,0440 - 4 0560	1.4520 - 1.453 1.1066.9 - 1.1067 5.0600 - 5.0800 205.750 - 209.8 7.7390 - 7.7450 1.450 00° 787.90 - 794.10 0.29990 - 0.3001 32.30 - 32.40 2.5820 - 2.585 3122.50 - 31241 1.9400 - 1.943							
Floating rate, Iran Official rate:£99,70 \$66.20									

7 per cant November 13, 1992

Rates in the French franc

currency market rose sharply alongside the Bundesbank

intervention. Three month

money rose to 11% per cent from a previous close of 11 per

cent, while 6 month money

Profit's per cent.
Ista One London based clearing
Frank dealer said that the Bank
Frank France could not sustain

Property Traines County Inc.
Cast. ise high market rates for
Educated Without raising its official
ment Amering rates.

Empsen. Inch franc futures fell Social State inches from the March Smalle Compact sharply. The March Smalle Compact fell 6 basis points to a servation of the fell
·f 91.67.

1 90.51, while the June

fell 16 basis points to

edged up from 10% per cent to

lost by his further comment that German inflation remained high and was unlikely to ease in coming months. This was seen as a further sign that there would be no early end to high German interest rates.

The franc was seen at a low of around FFr3.4220 against the D-Mark in late afternoon trading yesterday, before appreciating back to a close of FFr3.4170. Both the French and German central banks intervened in support of the currency at the FFr3.4176 level to the D-Mark around midday. The sums deployed in a thin market were reported to be small. Sharp rises in French money market interest rates may have been a better guide

to tensions. Mr Neil MacKinnon, chief economist at Citibank in London, said that the prospects for a franc devaluation before the spring remained strong, and would be enhanced if signs

tion. "Traditionally, it is the right wing parties in France that have carried out devaluations of the currency," he said.

Speculation persisted in the market of an early devaluation of the Irish punt, and there were continuing rumours of a post-Christmas holiday alignment downwards of the Danish

The Irish central bank cut overnight interest rates to 16 per cent from 20 per cent yesterday. The punt dipped lower against other European currencies, before moving back to around DM2.6394, two pfennigs above its ERM floor against the D-Mark of DM2.6190.

Mr Bill Clinton, the US President-elect, said that he would back a strong dollar yesterday and this helped boost the US currency. But the D-Mark's residual strength pushed it off a ledge above DM1.57 to close at DM1.5670 in London.

	Ecu Central Rates	Currency Amounts Against Eco Dec 15	% Change from Central Rate	% Spread vs Weakest Corrency	Divergence Indication
pringuese Escusio	182 194 143,386 40 6304 2,21958 1,96992 7,51410 0,735,334 6,60683	175 057 139,492 40 3193 2,20286 1,95882 7,53636 0,742406 6,69213	-3.92 -2.72 -0.77 -0.75 -0.56 0.30 0.96 1.29	5.42 4.12 2.07 2.06 1.87 0 99 0 33 0 00	64 45 35 33 -16 -46 -75

	•		•	•		
POU	ND SPOT	- FORWA	RD AGAIN	ST	THE POU	ND
ec 15	Day's spread	Close	One month	% pa	Three months	% p.a.
eda eriands igui nari nd	1.5600 - 1.5700 1.9905 - 2.0040 2.7575 - 2.7685 50.45 - 50.75 9.4470 - 9.4950 0.9285 - 0.9320 2.4535 - 2.4625	1.5675 - 1.5685 2.0030 - 2.0040 2.7575 - 2.7675 50.65 - 50.75 9.4575 - 9.4675 0 9300 - 0.9310 2.4550 - 2.4600	0.56-0 54cpm 0.02pm-0.18cdls 4-1-pcdls 5-8cdls 111 ₂ -194 odds 1 50-1.00ppm 3-1-1pdds	421 -0.48 -1.63 -1.54 -19.58 16.12 -2.14	1 39-1 36pm 0 01-0.37ds 1-1 4ds 19-25ds 21-29ds 2 85-2.25pm 1 4-1 4ds	3.51 -0.38 -1.63 -1.74 -10.57 10.96 -1.93
ngai	219.45 - 220.35 174.55 - 175.30	219.25 - 220.25 174.00 - 174.30	196-253cdis 110-136cdis	12.35	450-609(IIs 326-369(Is	-9.64 -7.98

14ada	l 1.9905 - 2.0040	1 20030 - 20040	l (1.02cm=0.18cdls	1-0.48	1 0 01-0.37th	I−038			
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elgiani	50.45 - 50 75	50.65 · 50.75	5-6als	l-15i	19-25ds	-L74			
THAT	9,4470 - 9 4950	9,4575 - 9,4675	111 ₂ -194 ₀ des	19.58	21-29ds	-10.57			
eland	0.9355 - 0.9320	0 9300 - 0.9310	1.50-1.00ppm	16.12	285-225pm	10.96			
MULEY	24535 - 24625	2,4550 - 2,4600	Ja−lapfdis	1-2.14	14-1466	-193			
rlagai .	219.45 - 220.25	219.25 - 220.25	196-253cdk	12.35	450-609dIs	-9.64			
الح	17455 - 17530	174.00 - 174.30	110-136cdis	-8.49	326-369dis	-798			
aly		21% 25 · 2197 25	11-14/redis	1-683	32-37dis	-6.28			
Officery	10.5570 - 10.6100	10.5675 - 10.5775	6 k - 8 12 od ts	-8.65 €3.8F-	134-15%06	-558			
ance	8.3600 - 8.4095	8,3950 - 8,4050	34-34alk	-5.09	814-914015	-4 17			
erden		10.5800 - 10.5900	34-44 oredis	 -4.6 1	9-104ds	-3.66			
(Pan	193.25 - 195.00	194,00 - 195.00	4-57311	4 24	14-1500	3.34			
Stria	17.24 - 17.31	17,28 - 17.31	2-2% grodis	I-T 69	51-75ds	-1.50			
riteriand .	22000 - 22150	2.2050 - 2.2150	ե- <u>կ</u> ար	1.02	2-400	0.79			
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Dec 15	Oay's spread	Close	One month	p2	Tirree months	% P.a.				
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ommercial r orward pres	ates taken towards t	be end of Loadon tra ipply to the US dolla	dong, I UK, Ireland and not to the Ind	and ECL Isidgal c	are quoted in US	ornency.				

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E	URO-CL	JRREN	CY INT	EREST	RATE\$	
Dec 15	Short Lenn	7 Days notice	One Month	Three Months	Sh Months	Gne Year
erling	15 - 74 34 - 34 74 - 74 84 - 84 64 - 84 10 - 94 13 - 114 913 - 314 17 - 12	74 - 7 34 - 212 74 - 74 85 - 84 64 - 85 9 - 85 101; - 104 134 - 125 9 - 8 179 - 311 20 - 15	7: 7: 7: 7: 7: 7: 7: 7: 7: 7: 7: 7: 7: 7	7: - 7: - 7: - 3: - 3: - 3: - 3: - 3: -	7 · 63 34 · 35 71 · 74 84 · 63 64 · 63 103 · 10 13 · 134 34 · 35 13 · 11	012 014 014 014 014 014 014 014 014 014 014
an \$5mg . Inish Peseta	15 15 1	15 2 - 15 4	151, 151	151 141	215 - 236 145 - 1415	14 k 14 k

High Dra High Franc High Krone Ian SSing . High Peseta Irlaguese Esc	17 12 17 12 15 15 15	9 - 87 12 - 31 20 - 15 14 - 13 15 - 15 4 16 - 14	3:5 - 3:4 20 - 15 14 - 15 154 - 154 26 - 18	31 81 31 38 151 121, 24 2 151 141 191 161	84 · 84 34 · 34 13 · 11 25 · 24 144 · 145 184 · 154	7% . 7% 3% . 3% 12 - 10 2% . 2% 14% - 14% 17% - 15%
eg term Eerodoila	rs: two years 5,	5 is per cent.	three years 5 %	-5% per cept fi	our years 6,6-6,	per cent, five
25 6,4-6 ii per cen	it cominal Shor	It Lerm rates are	call for US Oct	lars and Japane	se Yen others, to	en days necice

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Yen per 2	.000 F	reach Fr	per 10	Lira per	1 000		per li	00 Peset	2 per 10	0		

LIFFE LING GILT PUTURES OPTIONS ESO,000 640s of 180%					LIFFE US TREASURY 88HB FUTURES OFTIORS \$100,000 64ths at 188%				
Strike	Calis-settlements Pur			t.lenertS	Strike	Calls-se	talements		ttlements
Price	M	بمال	War	Jan	Price	Uar	Jaa	Mar	200
96	3-55	6-06	0-23	0-32	100	4-08	3-51	0-18	1-05
96 97	3.03	5-18	0-35	0.44	101	4-08 3-19	3-10	0.29	1-28
98	3-55 3-03 2-21 1-46 1-13	4-34	0-35 0-53	0-60	101 102	2-35 1-57 1-21	3-10 2-37	0.45	1-05 1-28 1-55 2-22 2-59 3-35
99	1-46	3-54	1-14 1-45	1.16	163	1.57	2-04	1-63 1-31	2-22
100	1-13	3-14	1.45	1-40	104	ī-ži	1-41	1-31	2.59
191	0-52	2-42	2.20	2-04	185	Ö-58	1-17	2-04	3-35
191 102	0-33	2-10	2-20 3-01	2.36	106	0-37	0-62	2-04 2-47	416
103	0-21	1-47	3-53	3-09	107	0-23	0-47	3-33	5-01

#Dibline Lotal, Calls 222 Puts 10 N's Open Int. Calls 10749 Puts 12342				Previous d	roluzze t ay's open i	1216 (2016) 14 Calls 16	15 Pats 0 8 Pats 0
ROMARK OPTIONS of of 188%				LIFFE ITA		VT. BOND Lira 200:s	BTP) FUT 1985s of
Calls	tuements	Puis-se	ttlements	Strike	Calls-se	tienes:	Pats-set
Mar	Jan	Mar	عال ا	Price	Har	Jm	Mar
0.96	177	Q. 04	0.06	9350	245	3.14	0.93
0 73	1.55	0.66	0 09	9200 9250	208	2.83	1.06
0.54	1.32	0.12	ΩĬĬ	9250	179	254	1.27
038	1.12	0.21	0.16	9300	150	254	1.48
0.27	0 93	0.35	0.22	9350	125	202	1.73
0.17	0.74	0.50	ď 26	9400	ĬŒ	1.76	2.00
0 12	0.57	0.70	0.36	9450	č B3	Ē	271
ō.68	0 44	0.91	0.48	9500	0.67	1.38	265
رة معدلات	an Calle	L154 But	1926	Columbia		ad Called	

Strike		ettements		tilements
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9400	0.52	0.92	0.18	0.19
9425	0.36	0.73	0.27	0.25
9450	0.25	0.57	0.41	0 34
Februaried	makene is	nal, Calls	534 Date 1	99E
Drawley d	Tr's Ages	kar Calk	401 Part	3100
LIELENIE A	May a vigical	MIL CAUD	071 FBG /	ET MA
l				
LOND	IN (LI	FFE)		

	BRITI 32mis et 10		•
Dec Mar	(3ase 100-08 99-16	High 100-21 99-29	100-06 99-08
Estimates Previous	f volutise 187 day's open in	707 (9687) 1. 55466 (565691
US TREA	SURY BOMP	58%	

Estimated Previous (i volutse 18. Jäy's open k	707 (9887) n. 55466	565691	
	SURY BOND 32ms of 1			
	Close 105-01 103-27 rolume 430 tay's goes in		Low 104-30 103-24	Prev. 105-04 104-00
6% NOTI	ONAL GERN M 106ths at	AH GOVT.		
Mar Jon	Close 91_58 91_51	91.50 91.48	91.45 91.48	Pres. 91.50 91.43

Clase High 107 50 107.50 107.01

Traded exc	Justinely on A	194		
	ISHAL ITAL II 100ths of		BOND (STE	, ·
Mar Jon	93.02 93.42	High 93 99	92.91	94 94
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TUBER IN	WITH STEEL	mre +		

Previous day's open inc. 19883 (1732)
THREE MONTH STERLING * 5500,000 paints of 100%
Close High Low Property of the Control of the Contr

\$1m points	d 100%	SULLAN .	
Mar Jun Sep Dec	Close % 15 95.68 95.17 94.55	High 96.16 95.68 95.13	96.10 95.63 95.13
Est. Vol. (in Previous da	nc. Flgs. no y's open la	1 (horn) 9 1 17230 ()	88 (2323) 17996)

	IONTH EURO elsts st 100			
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	l volume 374 Say's open in			
TUBER S	MATH ECH			

ECU 1/4	#이트록 61 11H	170		
Mar Jun Sep Dec	7000 90 52 91 57 92 09 92 31	High 90 72 91 73 92.15 92.33	90.50 91.56 92.06 92.30	Prev. 90 72 91.71 92.12 92.30
Estimate Previous	i votane 151 day's open in	5 (1005) t 7506 (7.	386	
THREE A	CHTH EURO Points of 190	SWISS FI	ZANC	

Mar Jun Sep Oec	94.73 94.73 94.85 94.87	94.38 94.73 94.84 94.85	94.72 94.72 94.84 94.83	9
Estimaled Previous d	volume 600 lay's open in	0 (10213) 33534 (30300)	
	ONTH EURO		RATE	

	ONTH EURO Bom points a		RATE	
Mar Jan Sep Dec	66 45 87 10 87 50 87 75	High 86 88 87 30 87 50 87 85	86.30 87.90 87.50 87.50	Pres. 86.80 87.35 87.65 87.85
Estimates Previous	t volume 135 Say's open in	2 (2038) L 14641 ()	L3896)	

	Sep Dec	87.50 87.75	87.50 87.85	87.50 87.85	ä
	Estimate Previous	d volume 13: day's open in	52 (2038) n. 14641	13896)	
.	FT-SE 1	yay iyyigix ba X3dkii 60			
	Dec Mar	2719.0 2743.0	High 2730.0 2754 5	2713 0 2740.0	27

		Close	High	LOW	
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	Mar	2743.0	2754 5	2740.0	
Į	Jun	2763 0			- 1
	Esturiate Previous	d rolune 12: Cay s open in	580 (1313) a. 44945 (29 4 60 643	
İ	, Cours	ns traded on	APT Clos	ing prices si	Ţ
	POLIS	B B61			

POLIND - DOLLAR FT FOREIGN EXCHANGE RATES

1-mth. 3-mth. 6-mth. 12-mth. 1-5625 1.5543 1.5432 1.5293

0-37 0-62 2-47 0-23 0-47 3-33 LIFFE SHOET STEELING OPTION: 0500,000 points of 100% 122 141 162 185 210 236 265 296 Suritor Prince 9200 9225 9275 9300 9325 9350 9375 **Money Market** Previous day's open int. Calls 4720 Puts 2296 CHICAGO Pres. 105-01 107-28 107-23 101-20 100-19 99-20 98-24 97-30 97-06 PHILABELPHIA SE 6/5 OPTIBAS S31,250 (cests per 51) 0.53 **PARIS** 7 to 15 YEAR 10% MOTISMAL FRENCH ROND QUATTET FUTURES t Yield 8.45 8.29 8.22 CAC-40 FOTUBES (MATTE) Stock judge 1772.0 1784.0 1777.0 1815.0 PCSI SENIO (MATTE) December 106.80 106.92 +0.1 Estimated rodume 5,027 † Total Opes Loterest 12,331 OPTION ON LONG-TERM FRENCH BOHO OLICTIFI Jace 2.62

BASE LENDING RATES

%
Adem & Company 7
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ALB Bank 7
OHenry Anabacher 7
B & C Morchant Bank _ 13
Bank of Beroda 7
Banco Bábao Vizcava 7
Bank of Cyprus 7
Bank of Ireland7
Bank of India
Bank of Scotland7
Bardays Bank 7
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Gerown Shipley
CL Bank Nederland7
Carbank NA7
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Financial & Gen Bank ... 8 Robert Flaming & Co 7 @Guinnaes Mahon Habib Bank AG Zunich "7 Hempehire Trust Pic 13.5 Heritable & Gen Inv Bik. 7

Rootunghe Bank Ltd ... 9 Royal Bk of Scotland ... 7 Standard Chartered 7

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Members of Brit

CROSSWORD

No.8,030 Set by DINMUTZ

US\$50,000,000 Floating Rate Notes Due 1993

HYUNDA

in accordance with the provisions of the Floating Rate Notes, notice is hereby given as follows:

rest Period : 15th December, 1992 to 15th June, 1993 (182 days). Rate of Interest : 51/4% per annum

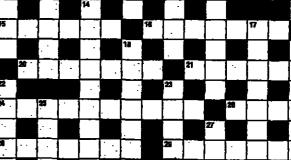
Coupon Amount: US\$285.42 (per note of US\$10,000) ÙS\$13,270.83 note of US\$500,000)





Advertising appears every

(International edition only)



 Cab no longer used if race is abandoned (6)
 Writer about to settle colour 7 Make Bill work in the house?
(5)
8 Knotty Japanese drama does unfold (6)
9 Being clean, does no harm when fired (5)
14 The man of the match (10)
17 To share drink in grounds (9)
18 England's openers falled dismally in these shots (8)
19 Irritating chap in a British barge (8)
22 Weaver-bird (for what reason?) had turned upside down
23 Obverse principles, say (5)
25 Plane-crash in mountainous country (5) of elopers' boat (3-5)

of elopers' boat (3-5)

10 High tar (7)

11 French playwright makes semi-hero prevail (7)

12 Alpine wind - initially from on high, naturally (4)

13 Chain-store characters becoming solitary types (10)

15 Old buffer on the level (6)

16 Metal-works established close to railway (7)

20 Fixing design in porcelain? (7)

21 High-explosive found in Alahama toilhouse (6)

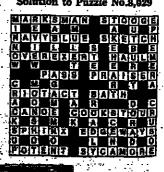
24 Suspended by it, one is powerless (4-5)

25 Air of boy opening Glyndsbourne (1)

26 Qualification document of ambassador, mostly (7)

ambassador, mostly (?)
29 Sissping in derelict manor in outskirts of Datchet (?) 30 Wife to stand by with answer?

(6) 31 Try again (6) DOWN 1 Plane angle may be a fluke (8)
2 An old railway-line, where the
poor lived (4-6)
3 Bloody strange! (4) 5 Note on Hogarth's version of

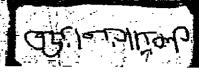


country (5)
27 Charge is about right on the house (4)

Solution to Puzzle No.8,929

6 The art of fuelling midnight

star-gazing (10) 7 Make Bill work in the house?



MONEY MARKETS Futures fall again

Remarks from Mr Otmar EUROPEAN currency futures fell again yesterday as the French franc remained under Issing, the Bundesbank chief economist, that growth in M3 money supply would be considerably lower in the next pressure on currency markets. and the Bundesbank was two months failed to check forced to intervene on the foreign exchanges to support the another fall in Euromark futures.

currency, writes James Blitz. The March Euromark contract fell 3 basis points Dealers were increasingly doubtful that the French franc could survive the continuing from its high of tensions in the Exchange Rate yesterday. German call money Mechanism without a devaluaedged up to 9 per cent yesterday, as year end tax payments had their first heavy tion. Sterling cash rates firmed slightly, amidst increasing signs that another easing in impact on bank liquidity UK rates is a distant prospect. levels.

Call money was at 8.95 per UK clearing bank base lending rate cent initially, but edged up to slightly above 9 per cent as tax payments began coming in to

Both cash rates and futures in the sterling market showed signs of firmness yesterday. after UK indicators underlined that another cut in base rates

was unlikely before the spring. UK input prices rose 4.1 per cent in the year to November. the highest year-on-year rise October since compounding fears that a further easing of UK monetary policy could have inflationary

implications. The March short sterling contract therefore fell 12 basis points from its previous close of 93.30. Three-month money firmed to 74 per cent from a previous close of 7th per cent.

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FT LONDON INTERBANK FIXING

(11 00 a ni Dec 15) 3 months US dollars

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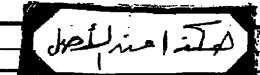
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Appointments Wednesday & Thursday

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CROSSWORD



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EUROPEAN AIRPORTS: MANCHESTER

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Data sources.** International Air Travel Survey (IATS) Europe 1990 and FBR\$!90! FT SURVEYS

Dow resists pressure as IBM shares drop

Wall Street

US share prices held their own yesterday in spite of some bad news from IBM, one of the arket's biggest stocks, writes Patrick Harverson in New York.

By 1 pm the Dow Jones Industrial Average was down only 4.87 at 3,287.33, having spent the morning a few points below opening values. Had it not been for the big loss in IBM, the Dow would have been in positive territory. The more based Standard & Poor's 500 was also little changed at the halfway mark, down 0.31 at 432.53.

Secondary markets, however, displayed less resilience, with the Amex composite slipping 1.96 to 390.60 and the Nasdaq composite, which has put in the best performance in recent months, giving up 4.72 at 650.01. Turnover on the NYSE was busy at 132m shares by 1 pm, and declines outpaced

rises by 905 to 698. The day's only economic news, a 0.3 per cent decline in November business inventories, came in as expected, and had little impact. This left investors to focus on technical and corporate factors.

dominated was the reluctance expected yesterday to win

heavily ahead of Friday's "triple-witching" expiration of stock, and stock-index futures and options, an occasion which typically creates considerable turbulence in the underlying cash equity markets.

The main corporate news of

the day shook the market. IBM, traditionally the bellwether stock among US hlue-chip companies, announced that it would cut 25,000 jobs in 1993 and take a \$6bn charge in the current quarter. Although investors have long been aware of IBM's problems, and there was weakess in the shares last week, this latest bout of restructuring and downsizing cast a cloud over market sentiment, which has lately been rela-

tively sunny. IBM shares reacted to the news by dropping sharply. By the early afternoon the stock was trading at \$57%. down \$5, in turnover of 5.6m shares.

Other big technology stocks were dragged lower. Compaq gave up \$1/2 at \$421/2. Hew-lett-Packard fell \$1/4 to \$65, Digital Equipment eased \$1/4 to \$33% and Motorola fell \$1% to

The other big corporate news The technical factor that came from Boeing, which was

more than \$4bn for new let aircraft from International Lease Finance. The good news about the order helped offset Monday's disappointing news that UAL, owner of United Airlines. was in talks with Boeing to reduce significantly its capital spending plans for new aircraft. In strong two-way trade, Boeing was unchanged at

Motors stocks were all notably weaker as the latest set of car sales figures began to stream in. Chrysler dropped \$% to \$31%, Ford eased \$% to \$41 % and General Motors fell \$\% to \$32\% amid growing concern among investors that the recent upture in consumer sentiment has not fed through into higher auto sales.

Canada

TORONTO was easier at midsession with sentiment discouraged by losses on Wall Street. The TSE-300 index declined 1.32 to 3,260.7 in volume of 36.4m shares valued at C\$300m. Declines led advances by 309 to 195 with 317 issues

American Barrick, up C\$1/4 at C\$37% and Placer Dome, up C\$% at C\$14%, were helped by

firmer bullion prices.

ASIA PACIFIC

Hopes of discount rate cut lift Nikkei average

Tokyo

REVIVED hopes of an imminent cut in the official discount rate spurred late afternoon buying, and the Nikkei average rose moderately on futures linked demand and purchases by pension funds, writes Emiko

Terazono in Tokyo. The 225-issue average gained 190.77 at 17,480.74 after a low of 17,220.56 and high of 17,554.86. The index remained sluggish through most of the day, but rose in the last few minutes of trading, recovering to 17,500, the 200-day moving average. over this technical resistance level as last-minute profit-taking depressed share prices.

Volume rose slightly to 200m shares from 150m. Arbitrageurs and public funds were the only prominent participants. Advances led declines by 564 to 382, with 181 issues unchanged. The Topix index of all first section stocks rose 9.55 to 1,325.90, and in London the ISE/Nikkei 50 index firmed 3.43

to 1.074.09. Market participants were encouraged by rumours of a cut in the discount rate after the afternoon release of weak machinery orders for October. Private machinery orders fell 28.6 per cent from the previous month, reflecting a continuing slump in the economy. The announcement by the Osaka stock exchange that the Minis try of Finance was considering the implementation of a circuit breaker mechanism for the Nikkei futures index, traded in Osaka, also aided sentiment.

NATIONAL AND REGIONAL MARKETS

Hitachi Electronics, a broadcasting equipment maker affiliated to Hitachi, put on Y180 to Y1.380 on hopes of a US economic recovery and firm current year earnings. Sumitomo Chemical climbed Y19 to Y479 on reports that Sumitomo Pharmaceuticals, its unlisted subsidiary, will double current year pre-tax profits on sales of its interferon drug.

Yokohama Matsuzakaya, a department store, rose by its daily limit of Y80 to Y540 on rumours of a merger with another leading retailer. Oji Paper added Y7 at Y863 and Kanzaki Paper Y19 at Y653,

In Osaka, the OSE average put on 31.98 to 18,894.40 in valume of 21.1m shares. Nintendo. the video game maker, rose Y100 to Y11,100 on buying by investors encouraged by its firm earnings prospects.

Roundup

WITH the exception of Hone Kong the region's markets were weaker yesterday.

HONG KONG rose in low turnover, with comments by President elect Bill Clinton. that China might keep its Most Favoured Nation trading status with the US if it made progress in human rights, helping to boost sentiment. The Hang Seng index gained 48.08 at 5,315.81 in turnover of HK\$2bn.

HSBC rose HK\$1 to HK\$55.50. SEOUL saw profit-taking as investors remained nervous ahead of this Friday's presidential elections. Interest remained in Kepco, the electricity generator, which rose

MONDAY DECEMBER 14 1992

Won300 to Won21.100. The composite index lost 1.02 to 650.21 in turnover of Won382.4bn.

MANILA fell afresh following the overnight drop of Philippine Long Distance Telephone in New York. The composite index shed 19.07 to 1,183.49 as PLDT declined 40 pesos to 810 pesos. Combined turnover rose to 310m pesos from Monday's 197m.

TAIWAN lost further ground ahead of Saturday's parliamentary elections, the weighted index slipping 8.50 to 3,688.26 in turnover of T\$7.2bn.

KUALA LUMPUR eased, with some speculative stocks he was being investigated as continuing to fall on profit- part of a continuing probe into taking. The composite index lost 3.66 to 628.88. Multi-Purpose Holdings dipped a further cents to M\$2.19 as there was still no news on its application for a gaming licence in south China. SINGAPORE's Straits Times Industrial index fell 12.00 to 1.442.10 in volume of

AUSTRALIA weakened on profit-taking, with industrial ssues suffering the day's worst falls. The All Ordinaries index closed 2.9 lower at 1,509.6 in turnover of A\$284.8m. Mining stocks helped to support the market, with Western Mining rising 7 cents to A\$4.38.

NEW ZEALAND was led lower by a steep fall in Fletcher Challenge of 9 cents to NZ\$2.26 as investors were unimpressed by news that it was to merge its Canadian forest operations. The NZSE-40 index shed 11.12 to 1,520.98. Telecom fell 4 cents to NZ\$2.30 after stating that it would be cutting some of its tariffs.

Madrid buoyed by a mood of optimism

After months in the doldrums equities are enjoying a year-end rally, writes Peter Bruce

he Spanish have ways to make a market talk. Brow beaten for months by government deficit overruns, tax increases, a Moody's debt rating review, two peseta devaluations, rising unemployment and falling growth, the Madrid market has suddenly been energised by a financial community desperate to end the year as little out of pocket

The Madrid general index may still be down 13 per cent on the year, but in the last few eks it has come bounding back from the low 180s reached during the autumn currency crisis to finish at 215.31 yester-

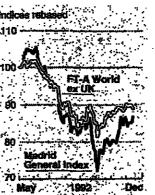
Everyone is winning. Bank shares have risen most sharply, with the sectoral index advancing from 230.6 on October 2 to 272 on Monday. Likewise, electricity utilities have recovered by 40 to 213, and chemicals were up 35 points to 218. Even the battered construction sector had managed to creep up 8 to 288. Construction was in trouble

long before the equity market.

The government owes builders about \$8bn, the release of which it is delaying in order to dress up its 1992 fiscal performance. Madrid is also delaying contract awards, which will affect construction companies' 1993 figures. But the banks, the engine room of the Spanish economy, have bounced back in spite of the fact that they face record bad debts this year and next, as economic growth fades to a trickle. The sector, however, has had

some help. The Bank of Spain allowed banks, faced with potentially huge portfolio losses on government debt as the bond market fell in the autumn, to defer the effects and thus save their profit and loss accounts. Last week, the central bank cut its reserve requirement from 4.5 per cent to 3 per cent, which freed some \$6bn of deposits previously trapped, interest free, with the authority.

The utilities are back in spite of the fact that many are heavily indebted in foreign currencies and will have been hurt by the peseta's two recent



devaluations. This is partly because the government has decided on big electricity tariff increases for domestic users next year and also hopes of an early fall in interest rates. But is there good reason for

that optimism? Possibly. Inflation will end the year under 5.5 per cent, well below the feared 6.5 per cent. All indirect tax increases planned for next year have been implemented this year. The central budget deficits, running nearly 70 per cent

over target in the summer, are now under control and will end the year on target. Moody's, having shaken Madrid in October by announcing a review of Spain's debt rating, has just decided not to touch it.

There are sceptics. "Quite a lot of people would like the year to end more happily. says Mr Paul Farrow of brokers FG in Madrid. "So we find they are suddenly being a lot more positive about things they were recently being negative about despite the fact that nothing has really changed."

FG is not, in spite of the fes-tive mood, changing its growth forecast of 0.5 per cent for next year and is advising clients to sell if the general index reaches 220. And with polls showing that the election Prime Minister Felipe Gonzalez has to hold by next October will most likely force him into a minority or a coalition government, with quite unknowable consequences, investors are going to tread lightly around Madrid.

That is evident even in the current boomlet. The Ibex 35

companies in the market, has risen by about 20 per cent since early October, outstrip-ping the 15 per cent recovery in the general index. It means investors may simply be buying back into cheap, tradition-ally liquid stock such as banks and utilities.

Analysts do not think the reserve requirement cut for banks will feed through quickly into profits. In the current climate, it might not feed through at all. "It may mean the banks have more money to lend," says another broker. "But given the bad debt provisions they're already having to make they're probably better off being starved of money if they're going to lend it badly. We'll see. The reserve cut will only make a difference if they lend the new money well."

Given the current cheer in the market, not everyone in Madrid is as wary or exhausted as the last speaker. But Spain always deals with bad news by ignoring it and that has to be worth a few more points on the

Petrofina dividend cut drags Brussels down

BOURSES reflected a mixture of moods and stimuli, writes Our Markets Staff.

BRUSSELS concentrated on Petrofina following the oil group's announcement after the market closed on Monday that it would cut its 1992 dividend by 50 per cent. The Bel-20 index lost 11.52 to 1,101.13 as Petrofina closed down BFr500, or 6.2 per cent at BFr7,490 but off the day's low of BFr7,260. The group warned that 1992 profits will be depressed and the forecast came at the lower end of analysts' expectations.

Petrofina's major shareholder, Electrafina, fell BFr120 to BFr2,070 and GBL, which controls Electrafina, lost BFr70 at BF12,620. MILAN fell again. Following

the rebuff delivered to ruling parties in local elections on Sunday and Monday, there was news that Mr Bettino Craxi. leader of the Italian socialist party and a former prime miner, had been officially notified by Milan magistrates that city hall corruption.

After a 2.2 per cent fall on Monday the Comit index dropped another 9.27, or 2.2 per cent again, to 404.25. Mediobanca fell L710, or 5.9 per cent to L11,290 and Flat by L225, or 5.8 per cent to L3.675 although. in line with the market, the carmaker recovered L80 to L3,755 on the kerb.

Monday's main losers, the banking privatisation candidates, did not emerge unscathed yesterday. BCI fell L149 to L4,001 and Credito Italiano by L44 to L2,601. Among other privatisation stocks, Finmeccanica was amongst the

SOUTH AFRICA

JOHANNESBURG ended mixed in lacklustre trading ahead of today's public holiday. The industrial index lost early gains to close 16 down at 4,314 as the overall index fell 8 to 3,235. The gold index slipped 1 to 832.

1992 High

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Base walus 1000 (28/10/90) High/day: 100 - 1041.83. 200 - 1117.79 Lourday: 100 - 1007.25 200 - 1113.80 hardest hit, shedding over 9 per cent to close at L1,070. PARIS was in a positive

mood although late profit-taking eroded some of the day's gains. The CAC-40 index closed 6.53 ahead at 1,744.79, having seen an intraday high of 1,752.10. Turnover was estimated at some FFr2bn.

Accor improved well after forecasting a 15 per cent increase in group profit in 1993 and the shares rose FFr12 to FFr613. There was also strong

activity among financials with some program buying noted. gained FFr9.30 to UAP FFr426.30, Paribas put on FFr9.80 to FFr338.80 and Société Générale advanced FFr13 to FFr573.

ground following Monday's profits warning, falling a further FFr2.30 to FFr225.00 as Elfrecovered FFt2.40 to FFt325.70. Eurotunnel was just 25 cen-times down on the day at FFr28.50 after TransManche

Total continued to lose

id that talks between sides regarding cost s had reached a stand-

KFURT reacted after ight days of losses, the lex ending 11.49 higher 24, as dealers talked of overing ahead of Friday's closure of DTB options and futures contracts. Volume stayed low at DM3.7bn. up from DM3.1bn. The insurance company, Allianz, closed DM24 higher at DM1.860, reflecting its attractions to DTB traders. In the car sector BMW rose DM5 to DM470, Daimler DM6.30 to DM513 and Volkswagen

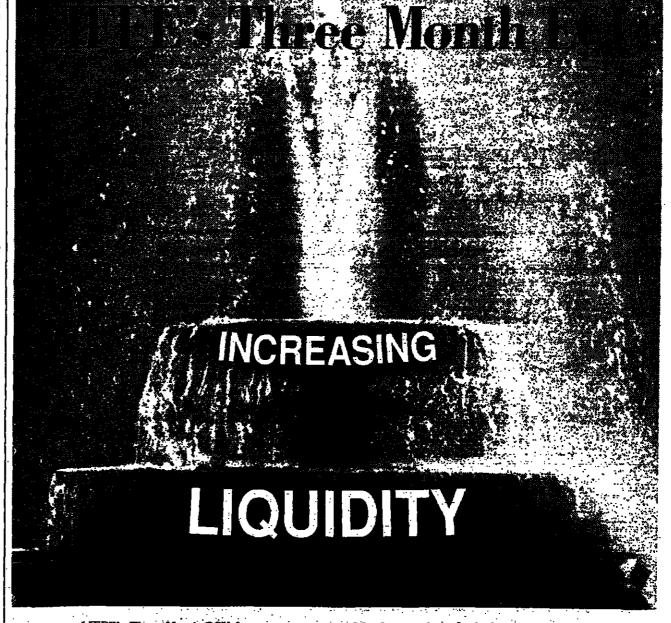
DM3.50 to DM244.50. Elsewhere, the steel group Thyssen and Veba, the utility, rose DM2.80 to DM155.50 and DM2.60 to DM348.60 after government sources said that their consortium was expected to win approval to operate the new E-1 mobile phone network.

ZURICH continued to assert its independence of the Frankfurt bourse, the SMI index losing 10.2 to to 2.005.1.

AMSTERDAM retreated in low turnover as the CBS Tendency index closed 0.5 weaker at 103.5. ING was among the gainers, up 60 cents at F153.00. STOCKHOLM was pulled lower by Astra and Volvo as the Affärsvärlden index lost 9.6 to 879.1 in turnover of some

Astra, down SKr9 at SKr732 weakened after an analysts meeting on Monday while Volvo B shares lost SKr3 to SKr332 after Moody's downgraded the group's commercial paper ratings.

ISTANBUL gained some 2 per cent on rumours that the government was to approve new tax legislation affecting equity holdings. The 75-share index rose 78.49 to 3,901.94 in turnover of TL258.7bn.



LIFFE's Three Month ECU futures contract has confirmed its steady growth in 1992, with an increase in volume and in open interest of around 200% in the period January-October. compared to the same period last year.

Its importance as an efficient hedging and trading tool is emphasised by LIFFE's international membership.

It is supported, in particular, by a number Business Development at LIFFE.

of brokers, a list of which is available from LIFFE, and by the six designated market makers listed below. These six major institutions ensure liquidity

through their commitment to quote prices on request within tight dealing spreads.

For more information on the Three Month ECU please contact any LIFFE member or

First Chicago Futures Inc. (acting on behalf of First National Bank of Chicago) istituto Bancario San Paolo di Torino S.p.A. Kredietbank N.V.

Midland Futures/Div Midland Bank Pic (acting on behalf of Hong Kong & Shanghal Banking

NatWest Futures Limited (acting on behalf of National Westminster Bank Pic) UBS Phillips & Drew Futures & Options Limited (acting on Behalf of Union Bank of Switzerland)

94,84 107,71 105,82 88,72 155,90 57,85 112,93 121 19 137 63 135 24 113 37 199 21 142 31 102 65 209 93 132 17 107 28 286 32 1622 88 154.55 154.58 201 93 115 47 117 60 168 63 177 05 130.93 128.65 107.85 109.51 70.32 137.28 97.65 199.71 125.74 102.06 255.25 1543.83 147.02 40.19 138.77 192.10 144.09 111.91 156.22 186.70 152.27 142.12 273.94 88.75 129.28 173.71 80.81 140.95 282.42 1789.77 189.72 189.80 191.72 220.28 201.29 202.80 161.72 200.28 200.28 200.28 203.14 74.11 143.96 102.75 211 25 134.32 52.89 106.65 264.36 1615.95 155.14 42.22 143.11 112.93 118.27 121.96 80.35 84.14 84.14 84.14 164.28 172.07 208.69 103.44 108.33 111.99 42.34 44.35 56.30 83.96 87.95 83.96 209.97 219.91 262.69 1270.00 1330.14 5221.84 120.94 126.67 125.10 33.06 34.62 43.39 114.16 119.57 134.94 155.03 165.51 152.43 118.53 124.14 156.77 92.06 96.42 100.49 130.18 138.33 167.06 88.12 92.30 98.08 132.10 138.35 160.59 132.56 145.12 177.05 +24 +0.7 +0.8 +0.6 -0.2 3 94 134.53 127.98 105.28 2 08 152.53 145.10 119.36 1 36 111.30 105.88 87.10 2 53 120.70 114.82 94.45 2 90 173 10 164.67 135.48 3 47 113.96 108.41 89.20 3 81 150.70 143.36 117.95 2 55 127.72 115.79 95.26 2 47 136.63 129.98 106.93 2 69 139.46 132.67 109.15 3 28 157.73 150.05 123.45 110 10 119 79 125 44 138 48 90 29 89,44 98 30 101 08 140 91 171 85 93 12 97 46 123 18 139 54

FT-ACTUARIES WORLD INDICES

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CONSTITUENT CHANGES: At the recent quarterly panel meeting of the FT-Actuaries World Indices, it was decided to make the following constituent changes with effect from January 1 1993. Additions: South China Morning Post, Citic Pacific (both Hong Kong) and Incentive A (Sweden). Deletions: Bang & Oluben B (Denmark), Fag Kugelfisher (Ord. & Pref.) (Germany), Magneti Savings (Italy), Anaya Ediciones (Spain), Custos B Free (Sweden) and Baloise Part. Certs., Magazine Globus Part. Certs., Schindler Bearer, Soc Intl Pirelit Part, Certs. (all Switzerland). Classification changes to existing constituents: Pinault (France) from Diversified Consumer Goods/Services to Retail-Department Stores and World Intl. (Hong Kong) from Diversified Holding. Companies to Retail-Miscellaneous/Specialty. Finland & Sweden: Further constituent changes will be required in January 1993 if government approval is given to remove all foreign share ownership restrictions. Latest prices were unavailable for this edition

The World Index (2205)... 139.24 -0.1 131 90 108 83 113 51 125 68 -0.3 2 59 139 43 132.64 109.12 114.29 128.01 153.70 130.66 143.53